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# Japan Report

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14 March 1985

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POLITICAL AND SOCIOLOGICAL

JSP'S TANABE PLANS NORTH, SOUTH KOREAN VISITS

OW200357 Tokyo KYODO in English 0349 GMT 20 Feb 85

[Text] Tokyo, 20 Feb (KYODO)--The No 2 man of the main opposition Japan Socialist Party (JSP) plans to visit North and South Korea later this year to help promote inter-Korean dialogue, party sources said Wednesday.

The largest opposition party, however, has not yet agreed on the visit by JSP Secretary General Makoto Tanabe, the sources said.

Tanabe's plan emerged after the North Korean Workers' (Communist) Party invited him late last year to visit Pyongyang, the sources said.

Pyongyang has unofficially asked JSP whether it could go between North Korea and dissidents or opposition groups in the South, they said.

Tanabe hopes to promote exchanges particularly with South Korea's No 1 opposition New Korea Democratic Party which is backed by dissident Kim Tae-chung and former opposition leader Kim Yong-sam, the sources said.

JSP has so far taken a pro-Pyongyang stance and has criticized President Chon Tu-hwan's government in the South.

JSP leader Masashi Ishibashi has declared that his party was ready to open exchanges with South Korea if the Japanese Government stops its anti-North Korean policy.

Ishibashi visited Pyongyang last September, paving the way to conclude a nongovernment fishery agreement between Japan and North Korea.

Japan has no diplomatic ties with the North but has close relationship with the South.

A JSP elder led a delegation to visit South Korea last November, defying opposition among the party leadership.

After assuming the party leadership in 1983, Ishibashi has spelled out a more realistic stance on every front to redesign the Marxist Party into a "new JSP."

CSO: 4100/222

POLITICAL AND SOCIOLOGICAL

UNESCO ENVOY DENIES INTENTION TO WITHDRAW

OW210229 Tokyo KYODO in English 0219 GMT 21 Feb 85

[Text] Brussels, 20 Feb, KYODO--Japan has no intention of leaving UNESCO, Takaaki Kagawa, the Japanese envoy to the U.N. Organization, said Wednesday.

Kagawa, on a visit here, told Japanese reporters that Japan's goal is to carry out reform within the U.N. agency.

However, Kagawa also admitted that reform is extremely difficult with UNESCO.

Kagawa triggered widespread repercussions recently when he suggested that Japan may follow the United States, Britain and Singapore in leaving UNESCO unless the organization drops its politically-oriented programs.

He told a UNESCO executive board meeting last week that Japan might be compelled to "review its relations" with UNESCO if no such reform is made.

Kagawa said his remark was meant to press UNESCO Director General Amadou Mahtar M'bow to change UNESCO policies of conducting nuclear and Middle East studies and the situation of international news reporting.

He said it would be difficult to Japan to withdraw its membership with UNESCO because the organization is a U.N. related agency.

The United States, which pulled out from UNESCO last December, is considering reviewing its ties with all international organizations, including the Food and Agriculture Organization (FAO) and United Nations Conference on Trade and Development (UNCTAD).

The U.S. stand, Kagawa noted, is to place more emphasis in providing foreign aid on a bilateral basis rather than going through international channels.

Japan, however, has no such alternative, he said, and therefore has to keep its ties with multilateral international organizations.

This means, Kagawa explained, the basic Japanese policy is to call for reforms if Japan is not happy with the performance of a particular world organization.

Yet, in the case of UNESCO, reform is difficult even in the view of West European countries, he said.

CSO: 4100/235

POLITICAL AND SOCIOLOGICAL

JSP'S TANABE LOW KEY ON PROPOSED ROK VISIT

OW210557 Tokyo KYODO in English 0543 GMT 21 Feb 85

[Text] Tokyo, 21 Feb, KYODO--Japan Socialist Party (JSP) Secretary General Makoto Tanabe Thursday showed a prudent attitude toward his reportedly planned visit to North and South Koreas.

Tanabe, at a JSP central executive meeting, said his South Korea visit has yet to be decided by party panels concerned although he is deeply interested in the situation after a general election in the country.

On his North Korea visit, Tanabe said he wants to decide in a day or two whether he would visit North Korea, showing a positive attitude toward it.

CSO: 4100/235

POLITICAL AND SOCIOLOGICAL

SPOKESMAN DEFENDS FINGERPRINT REQUIREMENT

OW210817 Tokyo KYODO in English 0853 GMT 21 Feb 85

[Text] Tokyo, 21 Feb, KYODO--A foreign ministry spokesman defended Japan's fingerprinting requirement for foreign residents Thursday, arguing it is "part of our valid law."

But spokesman Yoshio Hatano declined to speculate on implications of regulations for alien registration for Japan's diplomatic relations with South Korea and other countries.

The question, he said at a news conference, "is one for the justice ministry to answer."

The fingerprinting issue resurfaced Tuesday when Japanese immigration authorities told Pio D'Emilia, the Tokyo-based correspondent of the Italian newspaper IL MESSAGERO, he will be denied re-entry into Japan for his refusal to be fingerprinted.

The fingerprinting requirements has been a sore point in Tokyo-Seoul relations because of the large number of Korean residents in Japan.

CSO: 4100/235

POLITICAL AND SOCIOLOGICAL

KAWASAKI CITY LENIENT OVER FINGERPRINTING ISSUE

OW231155 Tokyo KYODO in English 1101 GMT 23 Feb 85

[Text] Kawasaki, Kanagawa Pref., 23 Feb, KYODO--Kawasaki City Mayor Saburo Ito said Saturday he has decided not to initiate litigation against a South Korean resident refusing to submit himself to fingerprinting.

Kawasaki is the first local municipal administration not to file a lawsuit against an alien refusing to undergo the fingerprinting that is required when renewing an alien registration card.

The central government maintains a policy requiring non-Japanese nationals to have their fingerprints kept by immigration authorities.

Mayor Ito said the city will not bring litigation against Yi Sang-ho, 28, who refused to be fingerprinted in August 1982.

Under the law, Kawasaki City was obliged to make a decision whether or not to take legal action within three years after Yi failed to follow the fingerprinting policy.

The mayor said he has decided not to bring the lawsuit from the standpoint of "respecting human rights." Some aliens, including South Koreans, have been appealing to the Japanese Government to abolish the fingerprinting policy, claiming that it infringes the human rights and that they felt they were being treated like criminals.

CSO: 4100/235

POLITICAL AND SOCIOLOGICAL

ABE URGED TO ASK REPATRIATION OF SAKHALIN KOREANS

OW250507 Tokyo KYODO in English 0457 GMT 25 Feb 85

[Text] Tokyo, 25 Feb, KYODO--A group of four South Koreans urged the Japanese government Monday to help Korean compatriots on the Soviet island of Sakhalin return to their motherland for family reunions.

The request was made when the group members from South Korea met Foreign Minister Shintaro Abe.

In the meeting, Abe said Japan has taken every opportunity to call on the Soviet Union for the return of Korean people left behind on the island after World War II.

Abe regretted, however, that the Japanese request has made no substantial results so far.

A recent survey found a population of about 35,000 ethnic Koreans on the island, north of Hokkaido, Japan's major northern island.

Most of them have either North Korean or Soviet citizenship with about 5 percent others opting for the status of no nationality, hoping that they will be able to return to South Korea eventually.

The four Koreans visited Japan for court hearings in Tokyo, discussing the future of Korean nationals on the Soviet island, Japanese territory before the end of the war.

Many Koreans were brought to the island before and during the war when Korea was under Japanese colonial rule.

CSO: 4100/235

POLITICAL AND SOCIOLOGICAL

BRIEFS

FOREIGN MINISTER EAST EUROPE VISIT—Tokyo, 16 Feb (KYODO)—Foreign Minister Shintaro Abe plans to visit East Germany, Hungary and Czechoslovakia in late April before attending a summit meeting of seven industrial countries May 2-4 in Bonn, West Germany, ministry officials said Saturday. His schedule is not firm yet because of domestic political considerations, the officials said. Abe's European tour emerged as a possibility after Prime Minister Yasuhiro Nakasone dropped a plan to visit several West European countries after the Bonn summit, according to the officials. Abe is accompanying Nakasone to West Germany for the conference. Abe visited Romania and Bulgaria in August of 1983. [Text] [Tokyo KYODO in English 0209 GMT 16 Feb 85 OW]

CSO: 4100/222

MILITARY

OKINAWA PAPER CONDEMNS U.S. MILITARY ACCIDENTS

OW081137 Naha RYUKYU SHIMPO in Japanese 8 Feb 85 Morning Edition p 5

[Editorial: "Damages Should Be Compensated Fully--Accidents Are Incidental to U.S. Military Exercises"]

[Excerpts] Military exercises have concentrated in the area around Okinawa. What is more, they have now intensified in terms of scale and quantity. Eventually, they harm private citizens. Nevertheless, the U.S. military constantly plans new exercises. By its nature, military training will continue to escalate, both in size and frequency. Then, who on earth will ensure, and guarantee, the safety of our prefectural residents?

Since the beginning of this year, the U.S. military has carried out such exercises as "Cope Airlift," "Valiant Usher," "Team Spirit," and "Cope North," by land and sea around Okinawa. On 6 February, it notified the prefectural government of its plan to conduct a firing exercise over Prefectural Route No 104. Guns, which can fire both nuclear and nonnuclear rounds and neutron shells, are said to be used in the exercise. It is also reported that 285 rounds will be fired in this unprecedentedly large-scale, live-firing exercise. It is no wonder that prefectural residents feel misgivings in the face of these frequent military exercises in their narrow island.

Under these circumstances, incidents took place recently, showing that their misgivings were valid. At Kadena Air Base, an F-15 fighter--participating in a military drill--accidentally lost a landing wheel. In another incident, the rope of a large, fixed fishing net was cut by a landing craft off Blue Beach in Kin Bay.

Concerning this fishing net incident, which took place during Exercise "Valiant Usher 85", the U.S. military admits the "possibility that a landing craft carried away a morning for some reason." The cause of the accident is thus clear. The question is whether the accident took place inside the designated training zone or not. A fixed shore net cannot be laid without permission from the prefectural government. Therefore, it is unthinkable that the fishing net was set within the training zone. The U.S. Marines' information Office says: "We would like to compensate, to the satisfaction of the fishery cooperative, if it is confirmed that the accident took place

outside the sea training zone." The remaining question will be the amount of compensation.

There is usually a gap between the amount of compensation claimed by victims and that estimated by those who have caused the damage. However, compensation should be given to the satisfaction of the fishermen involved. While engaging in fishing operations, these fishermen cannot turn their minds away from military exercises, even when no military exercise is under way.

There is a feeling among fishermen that "it is good to discuss future measures (compensation), but it is more important to realize that there is no other way but to have Blue Beach returned, in order to engage in carefree fishing operations." It is quite natural for them to have this feeling.

Nevertheless, the U.S. military notified the prefectural government that it would conduct a firing exercise over Prefectural Route No 104 for 2 days-- 13 and 14 February. Naturally, this has caused people to protest. They say that the plan "ignores the feelings of the prefectural residents."

According to a report, the artillery exercise will use 9 M-198 155mm howitzers and 2 8-inch howitzers. The 8 inch self-propelled gun has a long range, and its destructive power is huge. Therefore, the exercise area should be large enough for the range of the gun. The maximum range allowed in Camp Hanse, where the exercise is to be conducted, is 6 kilometers. The 80inch self-propelled gun has a range of 16.8 kilometers. This is where possible hazards exist, although some adjustments will be made in setting actual ranges.

It is reported that the prefectural government will propose that the U.S. military take safety measures. We hope that the prefectural government will urge the U.S. military to pay attention to the safety of the prefectural residents.

Then, will such requests for thorough safety measures guarantee that no accidents take place? No, it will not. The U.S. military must pay attention to the safety of residents during military exercises. Likewise, prefectural authorities have continually made strong requests that consideration be given to prefectural residents' safety. Nevertheless, accidents have taken place.

This is why we should build an Okinawa without military bases.

CSO: 4100/229

MILITARY

JAPAN, FRG OFFICIALS CONDITIONALLY SUPPORT SDI

OW190955 Tokyo KYODO in English 0945 GMT 19 Feb 85

[Text] Tokyo, 19 Feb (KYODO)--Japan and West Germany agreed Tuesday that they endorse U.S. strategic defense initiatives (SDI) research so long as it aims at more stable strategic relations.

The agreement emerged from a meeting between Chusei Yamada, director general of the Japanese Foreign Ministry's United Nations Bureau, and his West German counterpart Friedrich Ruth.

Ruth, of the West German Foreign Ministry's Disarmament and Arms Control Bureau, emphasized that a global solution to intermediate-range nuclear forces (INF) would be beneficial to both Western Europe and Asia, a Japanese Foreign Ministry official said.

The official told reporters Yamada and Ruth also agreed on the need for Western solidarity to help the United States and the Soviet Union make progress in their arms control negotiations that will begin in Geneva March 12.

Ruth conferred briefly with Deputy Foreign Minister Shinichiro Asao Tuesday morning before the start of his lengthy talks with Yamada.

Japanese Prime Minister Yasuhiro Nakasone expressed Japan's "understanding" of SDI or the so-called "Star Wars" project in a new year summit in Los Angeles with President Ronald Reagan last month.

Ruth stated in his talks with Yamada the Bonn government's position that West Germany considers the American space weapons research "legitimate so long as it offers a more stable strategic relationship," according to a Japanese Ministry source.

Japan and West Germany also shared the view that INF issues should be addressed globally for the benefit of countries in Western Europe and Asia, the source also pointed out.

Ruth's talks with Yamada and other Japanese Foreign Ministry officials and scholars, which continue until Saturday, will be followed by a visit to Japan starting March 10 by a French Foreign Ministry official in charge of arms control issues.

The source declined to speculate when asked if the SDI project and arms control issues could be discussed during the Bonn summit of seven industrialized countries in May.

CSO: 4100/229

ECONOMIC

NEW ENVOY TO U.S. ADDRESSES PRESS CLUB

OW200827 Tokyo KYODO in English 0817 GMT 20 Feb 85

[Text] Tokyo, 20 Feb, KYODO--Japan's recently-appointed ambassador to Washington Nobuo Matsunaga said Wednesday he will take a positive diplomacy to the United States when he takes up his post in March to initiate a new round in the stalled bilateral trade issues with a fresh approach.

Addressing reporters at the Japan National Press Club, former Vice Foreign Minister Matsunaga, 62, pointed out that with the economic progress Japan has achieved in the past 10 years, "it should have more confidence in its position."

He added that problem-solving progress has been achieved between Japan and the United States. "What remains now are the close-up problems that have been the hardest to solve," he said.

The new envoy criticized lopsided Japanese perceptions of unwarranted U.S. pressure on Japan to open its markets, which he said should be interpreted rather as strong initiative on the part of the United States for more more Japanese cooperation.

Matsunaga said that while "Japan's road to survival is to take more responsibility to open its markets," unrestricted imports of such U.S. products as lumber, electronics and agricultural goods would threaten Japan's domestic conditions, including the livelihood of its people.

On the issue of policy, the diplomat rejected the contention that Japan was simply following a U.S. line.

Referring to Japan's recent threat to leave the United Nations Educational, Scientific and Cultural Organization (UNESCO), he said "it is a special problem involving internal political maneuverings and the exclusion of Japan's influence."

He also downplayed the popular concept of the age of the Asia-Pacific Basin. While he acknowledged the area's potential as a region of future dynamic growth, he pointed out it would not be the center of the world.

The career diplomat and University of Tokyo graduate joined the foreign ministry in 1946 and has served as director of its secretariat, deputy vice minister and administrative vice minister.

While this will be his first posting to the United States, he has had diplomatic experience in Europe, Mexico and Haiti.

Yoshio Akawara, the current Japanese ambassador to Washington, will be retiring in March.

CSO: 4100/235

ECONOMIC

METAL COMPANY FORMS JOINT VENTURE WITH U.S. FIRM

OW010322 Tokyo KYODO in English 0218 GMT 1 Feb 85

[Text] Tokyo, 1 Feb (KYODO)—Sumitomo Metal Industries, Ltd., announced Friday the establishment in Michigan of a firm to coat and maintain continuous casting machine molds in a joint venture with two Japanese firms and a leading U.S. coater.

An official at Japan's second largest steel producer said that the new firm, Sumitec, Inc., is capitalized at 1.32 million dollars and owned 60 percent by the Japanese firms and 40 percent by Electro-Coating Inc., based in California.

The Japanese equity share is held 50 percent by Sumitomo Metal based in Osaka, and 5 percent each by Satosen Co., a medium-sized coater in Osaka, and Osaka Fuji Kogyo Co., a medium-sized metal processor in Hyogo Prefecture, western Japan.

Earlier, Sumitomo signed a similar contract with LTV Corp. in Dallas, the second largest U.S. steelmaker in terms of electro-galvanized sheet production.

The step was taken to meet moves among U.S. steelmakers to rationalize production facilities, prompting the Japanese steel maker to process the "multicoating molds" featuring longevity and effectiveness in saving energy.

The official said that the continuous casting ratio is expected to reach 70 percent in 1990 from the present 35 percent in the United States.

The mold is the core of continuous casting machines, and its life, whether long or short, considerably affects the operation of the machines and the quality of slabs.

CSO: 4100/183

ECONOMIC

STEEL EXPORTS TO U.S. TO LEAD OVERALL DECLINE

OW020155 Tokyo KYODO in English 0134 GMT 2 Feb 85

[Text] Tokyo, 2 Feb (KYODO)--Japan's steel exports in 1985 will fall 5.1 percent to 31.2 million metric tons, according to a report by the Japan Iron and Steel Exporters' Association.

Exports to China are forecast at 8.7 million tons, about the same as for 1984, while exports to the Mideast, mainly to Iran and Iraq, are expected to increase.

However, exports to the United States are projected to fall 1.08 million tons to 5.3 million tons, and exports to Southeast Asia also be 740,000 tons to 16.9 million tons, the association said. [sentence as received]

The decline expected in shipments to the United States is due to American import restraints, and that in shipments to Southeast Asia to intensified competition as a result of those restraints, according to the association.

The association based its forecast on a 3-percent real growth rate for the American economy in 1985, and its forecast of 1985 shipments to Japan's 40 main client countries and territories on the basis of information gathered by the member trading companies.

The association put the world's steel demand in 1985 at 721 million tons in apparent crude steel production (output plus imports minus exports), up 0.8 percent from the previous year.

The world's crude steel output in 1985 is projected at 719 million tons, up only 1.3 percent from last year, although America's output is expected to increase 7.2 percent, thanks to its import restraints.

CSO: 4100/183

ECONOMIC

NCA WANTS NO DELAY IN U.S. ISSUING CARGO LICENSE

OW211017 Tokyo KYODO in English 1002 GMT 21 Feb 85

[Article by Sei Ogawa]

[Text] Tokyo, 21 Feb, KYODO--Nippon Cargo Airlines Co. (NCA) sees no reason for the U.S. Government to delay issuing a license for the Japanese all-cargo carrier to join the transpacific air cargo market, NCA Executive Vice President Hisayoshi Terai said Thursday.

NCA is scheduled to start its service between Japan and the U.S. 1 April and "any further failure of the U.S. Government to issue a permit will cause greater economic harm to NCA," Terai said.

Speaking at a press conference at the Foreign Correspondents' Club of Japan, he said the NCA issue should be resolved in the coming bilateral aviation talks next week in Tokyo "with the immediate issuance of NCA's operating permit by the U.S."

Terai said "otherwise, the aviation relations between the two countries might be deteriorated, though NCA certainly does not wish to get in such a situation."

NCA filed its application with the United States Civil Aviation Board (C.A.B.) last February to start six weekly round trip flights on the Tokyo-San Francisco-New York route using two new Boeing 747 jumbo freighter jets.

Terai argued that there is now only one Japanese carrier, Japan Air Lines (JAL), and five U.S. carriers, Pan American, Northwest, Flying Tiger, United and Continental/Air Micronesia, operating in the U.S.-Japan market and said he cannot find any reason why the U.S. Government opposes or delays a permit for NCA's entry.

"The only reason, I would say might be to guard the U.S. all-cargo carrier (Flying Tiger) from new competition," he said. "This is certainly inconsistent with U.S. international aviation policy and is a protectionist act contrary to U.S. overall trade policy."

He also said NCA will provide additional cargo capacities in the Japan-U.S. air cargo market which faces a shortage of capacity.

The market has been growing by 10 to 12 percent or more per year, increased by about 34 percent in 1983 and will continue its growth, he said.

Terai said NCA had ordered two new Boeing 747-200f jumbo freighters with the first one delivered in December and the second to be delivered a week from now.

The company has already taken numerous steps at substantial and ongoing cost to prepare for the service commencement 1 April and is planning to purchase another Boeing cargo plane in October, he said.

Each of the new aircraft carries a price tag of some 100 million dollars and certainly is improving the trade imbalance between the two nations, he added.

Asked about its relations with JAL, Terai said NCA, if allowed to begin the Japan-U.S. air cargo service, would have a fair competition with the national flag carrier.

He said NCA and JAL have agreed to avoid "unnecessary dumping" of air cargo fares, but the two Japanese firms would engage in full competition.

NCA, founded in 1978 with a paid-in capital of 3.2 billion yen (12.3 million dollars), has five domestic offices and four U.S. offices, two in New York and one each in San Francisco and Chicago.

It is planning to open another office in Los Angeles by the end of March.

CSO: 4100/235

ECONOMIC

GOVERNMENT PLANS JUNE ASEAN ECONOMIC MEETING

OW021251 Tokyo KYODO in English 1040 GMT 2 Feb 85

[Text] Tokyo, 2 Feb (KYODO)--Japan hopes to host a meeting of economic ministers from the six members of the Association of Southeast Asian Nations (ASEAN) in June as part of efforts to help them promote economic development, government sources said Saturday.

This will be the second such meeting in Tokyo. In 1979, Tokyo hosted the first economic ministers' meeting of Japan and nations belonging to ASEAN, which links Thailand, Malaysia, Singapore, Indonesia, the Philippines and Brunei.

The sources said ministers attending the meeting will discuss Japan's help in promoting the economic and cultural development of the Pacific region, which Prime Minister Yasuhiro Nakasone proposed last month during a trip to Fiji, Papua New Guinea, Australia and New Zealand.

Japanese officials will soon open consultations with their counterparts in ASEAN countries about topics to be discussed at the Tokyo session, according to the sources.

Leaders of Malaysia, Indonesia and Singapore met a high-powered Japanese business mission last month and called for Japan's help to promote industry in the countries, the sources said.

The mission, headed by business leader Yoshihiro Inayama, will next visit the Philippines and Thailand between 11-16 February.

Indonesia, for example, hopes to develop from an exporter of oil and lumber into a semi-industrialized country. It wishes to branch oil into shipbuilding and aircraft manufacture and is asking for access to Japanese technology, the sources said.

Malaysia, whose main exports are primary items like tin, also hopes to become an industrial power.

CSO: 4100/183

ECONOMIC

**FINANCE MINISTRY FAVORS VALUE-ADDED TAX**

OW031156 Tokyo KYODO in English 1043 GMT 3 Feb 85

[Text] Tokyo, 3 Feb (KYODO)—The Finance Ministry favors the value-added tax (VAT) widely practiced in the European Community (EC) as a model for its planned large-scale indirect tax, according to ministry sources.

The ministry intends to carry out a major income tax cut when the new tax is imposed to ward off criticism that it is trying to reduce a swelling budget deficit at the expense of taxpayers, the sources say.

It will ask a panel of advisers around April to map out details of a sweeping tax reform plan.

The VAT is levied every time the value of a product or service increases as it goes through various production and distribution stages between the factory and the retail outlet.

Every transaction must involve an invoice showing its value and tax, preventing tax evasion and ensuring fair taxation. Its disadvantage is the extra paper work of invoices.

The ruling Liberal-Democratic Party (LDP) has proposed a tax imposed at the stage of factory shipment, while the business community is advocating a retail sales tax.

But the ministry is against both proposals because it says the ex-factory tax cannot cover the fast-growing services spending area, and that the burden of the retail sales tax could be passed on to small retailers, according to the sources.

Prime Minister Yasuhiro Nakasone told a house budget committee session last week he does not favor a tax imposed at each stage of distribution, implicitly rejecting the VAT-type tax planned by the ministry.

But given its advantages over other forms of taxation, the ministry believes Nakasone will change his mind after the Diet debates the controversial matter, the sources say.

The planned income tax cut is expected to include a reduction in the maximum rate—currently 70 percent for an annual income of 80 million yen (314,000 dollars) or more—and other measures to slow the curb [as received] of progressive tax rates, along with a raise in the minimum taxable income, now 2.35 million yen (9,000 dollars) for a salaried family of four.

ECONOMIC

BANK GOVERNOR EXPECTS NO FURTHER DECLINE OF YEN

OW201101 Tokyo KYODO in English 1035 GMT 20 Feb 85

[Text] Tokyo, 20 Feb, KYODO--Satoshi Sumita, governor of the Bank of Japan, said Wednesday that he does not think the yen will continue to weaken against the dollar in the weeks ahead.

Sumita admitted, however, that the money market is "in a very unstable state" and that the Central Bank will keep a close eye on the yen-dollar movement.

He told a biweekly press conference, "the market has been reacting very sensitively to the statements by international monetary authorities"--an indirect reference to the recent comment on market intervention by U.S. Treasury Secretary James Baker.

Sumita also said that Japan's wholesale prices are generally stable, though import prices have gone up somewhat due to the yen's depreciation.

The governor said last week that the Central Bank would consider raising the official discount rate if price performances were affected seriously by the yen's weakness.

Sumita implied he was in favor of moves by the finance ministry towards allowing major city banks to issue convertible bonds abroad.

He said, "the idea should be considered in a broad perspective, because I think (the issuance of such bonds) would help strengthen the banks' capitalization in the days when the country's financial market is being liberalized."

Sumita said that the state-run Deposit Insurance Corp. (DIC) should be reorganized so that it can assume new functions, including provision of loans to facilitate mergers between banks.

DIC should be also empowered to have depositors with collapsed financial institutions taken over by other healthy institutions, he said.

Such new functions for DIC are desirable to help the country's banking industry better cope with an imminent liberalization of the financial and capital markets, Sumita said.

CSO: 4100/235

ECONOMIC

BANK GOVERNOR DETERMINED TO DEFEND YEN VALUE

OWL50827 Tokyo KYODO in English 0819 GMT 15 Feb 85

[Text] Tokyo, 15 Feb (KYODO)--Satoshi Sumita, governor of the Bank of Japan, said Friday the Central Bank is determined to defend the yen's value in relation to the U.S. dollar by all means. "If the yen continues to depreciate further against the dollar and its adverse effect becomes evident in (the form of costlier) imports, wholesale and consumer prices, the Central Bank will have to jacking up interest rates to guide the yen to higher ground," Sumita told a luncheon meeting at the Japan National Press Club in Tokyo.

The yen has been falling against the dollar since late last year and accelerated its downtrend this month amid prospects of higher U.S. interest rate in the days ahead. "The impact of the yen's depreciation on domestic prices has so far been discounted largely due to slumping prices of raw materials in international markets," he said. "But latent pressure is building up."

The central banker also emphatically reiterated that the Bank of Japan will intervene in foreign exchange markets "actively and flexibly."

"The problem is that the yen's depreciation coincides with Japan's growing trade and current account surpluses," he noted. "To correct the trade imbalance, it is necessary to expand domestic demand by utilizing private-sector vigor," he said, but added: "This measure alone is not enough."

"When relying on domestic demand alone, an economic growth rate double to triple the present one is necessary but this is unrealistic (in these times of slow economic growth)."

"We'd like to also expect the effect of the adjustment of foreign exchange rates to realize a strong yen," Sumita said. On the current domestic economy, Sumita said, "Exports are slowing down but domestic demand is expanding and I have no anxiety about the Japanese economy at the moment."

CSO: 4100/229

ECONOMIC

CURRENT PROBLEMS IN SINO-JAPANESE TRADE DISCUSSED

Beijing GUOJI MAOYI [INTERTRADE] in Chinese No 11, 27 Nov 84 pp 16-19

[Article by Li Jianguo [2621 1696 0948]: "Open New Prospects for Sino-Japanese Economic Cooperation"]

[Text]

I

When mankind is about to enter the 21st century, the establishment of a stable and long-lasting relationship of economic cooperation between China and Japan is the common task for the two peoples. They will set a good example of cooperation between countries of different social systems and at a different stages of economic development.

The establishment of such a relationship is in the basic interests of Chinese and Japanese peoples, since it is an important question of whether or not these two great nations can live in harmony and work for common development and prosperity.

The establishment of such a cooperative relationship is necessitated by the following considerations:

1. Whether a stable and long-lasting relationship of economic cooperation can be established has not only a direct bearing on the stability of Sino-Japanese political relations; it also affects the peace and stability of Asia and the world. And peace provides the only way to prosperity for both nations.
2. The war and the self-imposed blockades of the past brought great harm to both peoples, and we must never let this historic tragedy be repeated.
3. The establishment of a stable and long-lasting cooperative relationship is necessary to the economic development of both countries. The rapid economic development of the Asian-Pacific region, on which men will place their hope in the 21st century, will certainly further cement the Sino-Japanese economic relationship.

## II

However, we must recognize the arduous nature of this task. First, the social and economic systems of the two countries are different, and we must make every effort to overcome the difficulties usually encountered under such circumstances. Second, the two countries are at different stages of economic development, and we must make every effort to solve the problems usually encountered in the south-north relationship. Finally, there are fairly great differences between a continental and an island country with regard to history, geography, national traits and customs. All these differences may bring certain difficulties and complex problems to our economic cooperation.

For these reasons, the establishment of a stable and long-lasting relationship of economic cooperation between two countries of different social systems and at different stages of economic development can pose a historic challenge. However, we are full of confidence in meeting this challenge, in view of the many unique favorable conditions for the two countries.

1. We have had a long history of friendly cultural and economic intercourse, and both peoples love peace and value friendship. This is the most solid foundation for Sino-Japanese economic cooperation.
2. The heads of state of both countries have frequently exchanged visits and the four principles of Sino-Japanese friendship provide a reliable political backing to the economic cooperation.
3. China's firm open-door policy and the widespread economic restructuring from the countryside to the cities have opened a bright vista for intensive Sino-Japanese economic cooperation.
4. Along with the development of the new technical revolution in the world, Japan's domestic industrial structure will soon face an in-depth readjustment. This situation will facilitate technical cooperation between the two countries in various forms and under a rational system of international division of labor.

## III

To open new prospects for Sino-Japanese economic cooperation, we should jointly explore and set up some type of combined operations of technology and foreign trade and a new model for the exchange of technology for market.

This model should have the following features:

1. Economic cooperation may take many different forms, but the main one should be that of technology transfer. In addition to the transactions of common commodities in various flexible forms, there will also be large-scale direct investments in the forms of cooperative production, joint venture and enterprises with Chinese and Japanese capital or exclusive Japanese capital.

2. One of the features of cooperation will be the exchange of technology for the market. Our leaders have recently reiterated that if the joint ventures or the wholly-owned foreign enterprises can use their really advanced technologies to produce the goods that are suitable for the domestic market, China will let them sell part of their products on the domestic market and guarantee the remittance of their profits.

3. The ultimate objective of this form of cooperation is a horizontal division of labor on an international scale among the industrial branches producing accessories and spareparts. At present, the economic and trade structures of the two countries are designed basically for a vertical division of labor or the exchange of natural resources for industrial products. Through various forms of combined operations of technology and foreign trade, we should perseveringly readjust our export commodity mix on the basis of the readjusted domestic industrial structure of other countries and strive to form a more rational cooperative relationship based on equality, mutual benefits and cooperative division of work.

4. Cooperation is based on both close relationship and independence. The close relationship refers to the economic cooperation based on a sound industrial structure within each of the cooperating countries and a relationship of mutual reliance, mutual supplement and mutual promotion. We will not be in the same position as South Korea, Taiwan and some other regions whose cooperative relationship with Japan is merely one of one-sided reliance.

#### IV

To further develop Sino-Japanese trade, we will first adopt a form of combined operations of technology and foreign trade. We must conduct some active research to find out if in the year 2000, the total volume of Sino-Japanese trade can be increased to \$40 billion, or possibly a little more. The idea behind this target is not merely a quest for money, but rather a careful study of the potential for developing Sino-Japanese trade.

If we will compare the serial tables [lian huan biao 5114 3883 5903] of 1981 with that of 1970, we can see that in Japan's industrial structure, the ratio of 44 trades in the output value composition was on a downward trend, although the ratio of imports rose by a wide margin. This shows that these trades had already lost their positions of advantage, and this is precisely a source of potential for China to expand its exports to Japan.

Table 1. Changes in Japan's Industrial Structure, 1970-1981

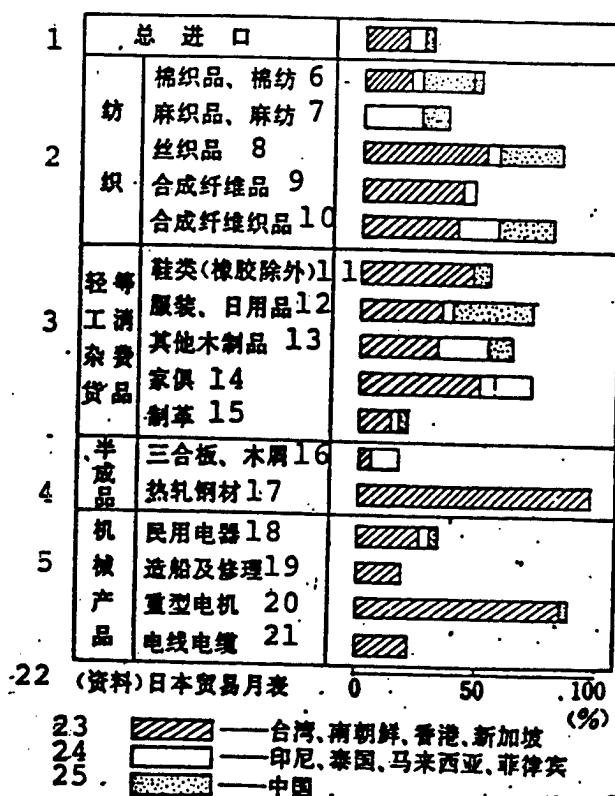
行业类别	进口比率	产值构成比	行业数量	主要行业构成
丧失比较优势的产业 6	上升 10	下降 11	44	纺织原料、轻工杂货、稀有金属等 13
衰退型产业 7	下降 11	下降 11	14	砂糖、人造丝、生铁等 14
比较优势增强的产业 8	下降 11	增加 12	12	动力机械、普通工业机械、办公机械 15
水平分工型产业 9	上升 10	增加 12	22	精密机械、钟表 16

17 《日本兴业银行调查部》

Key:

1. Type of trade
2. Import ratio
3. Ratio in composition of output value
4. Number of trades
5. Composition of major trades
6. Trades having lost their positions of advantage
7. Trades on the decline
8. Trades in fairly advantageous positions
9. Trades for horizontal division of labor
10. Rising
11. Dropping
12. Increasing
13. Textile raw materials, light industrial and miscellaneous goods, rare metals, etc.
14. Sugar, artificial silk, pig iron, etc.
15. Power machinery, common industrial machinery, public utility machinery
16. Precision machinery, clocks and watches
17. "Survey department of Kogyo Industrial Bank, Japan"

Table 2. Proportion of Exports to Japan by the Countries and Regions of the Pacific Rim in Those Trades Having Increased Japanese Imports



Key:

1. Total imports
2. Textiles
3. Light industrial consumer goods and miscellaneous goods
4. Semifinished products
5. Machinery
6. Cotton knitwear, cotton textile goods
7. Bast knitwear, bast textile goods
8. Silk knit goods
9. Synthetic fiber products
10. Synthetic fiber knit goods
11. Shoes (rubber excepted)
12. Garments, daily necessities
13. Other woodwork
14. Furniture
15. Leather
16. Plywood, wood-shavings
17. Hot rolled steel
18. Electrical equipment for civilians
19. Shipbuilding and repairs
20. Heavy power machinery
21. Power wires and cables
22. (Data) Monthly Table of Japan's Trade
23. Taiwan, South Korea, Hong Kong, Singapore
24. Indonesia, Thailand, Malaysia, Philippines
25. China

From Table 2 we can see that except for cotton textile goods, China's proportions of exports to Japan were lower than those of South Korea, Taiwan, Hong Kong and Singapore, the so-called four Asian powers. China's proportion of mechanical and electrical equipment was very low indeed since Japan's market for these products was dominated by the four Asian powers. mainly for the reason that China's mechanical and electrical equipment was poor in quality and weak in competitive power.

We do not, and cannot, expect to supplant the South Asian regions and countries in these 44 trades which are now rather weak in Japan. However, we hope that those Chinese sectors whose export ratios are too low will appropriately raise them. In addition to the efforts of our own machinery industry to step up market surveys and to improve the processing techniques as a matter of policy, we also hope that Japan will provide us more technical guidance including the transfer of technology for these products. This will call for cooperation in various forms so that the transfer of technology and the expansion of trade can go hand-in-hand.

V

The most prominent problem in Sino-Japanese economic cooperation now is that the development of Sino-Japanese joint ventures is far behind the cooperation of the two countries in the trading and financial fields. This is the main weak link.

At the end of 1983, China had 188 joint ventures with foreign countries with a total investment of \$340 million. Only 14 (7.4 percent) of them were joint Sino-Japanese ventures and the amount of investment was only \$20.66 (6.1 percent), far below the number of joint Sino-U.S. ventures (20 or 10.6 percent) with an investment of \$88 million or 26 percent of the total joint investment. This situation is not commensurate with the friendly relations between our two countries. If we allow this situation to continue, the establishment of a stable and long-lasting Sino-Japanese relationship in economic cooperation may be hampered.

There are mainly four reasons why Japanese entrepreneurs are rather sparing in their investments in China:

1. To alleviate the increasing trade conflicts with the United States and the European countries and to protect their exports to the European and American markets, the Japanese enterprises are preoccupied with their direct investments in Europe and the United States, particularly the latter. Therefore, they tend to neglect their investments in China.

2. Most Japanese enterprises are not yet free from the "reduced operations" mentality. According to their business ideas, they should be more concerned with their survival than with their development as they were immediately after the oil crisis. In our opinion, however, although such a state of mind has helped Japan ride over their difficulties in the 1970's, whether such a conservative idea can help them in the 1980's is open to serious doubts.

3. Many people in Japan worry that investments in China mainly in the form of technology transfer may have "boomerang effects" (See footnote) which will bring new competition to some of their own products on the domestic market and force them to further readjust their industrial structure. Such worry is understandable. However, although certain conflicts may be caused by technology transfer in the microscopic industrial readjustment, such transfer should serve the interests of both countries from the macroscopic point of view.

4. The establishment of Sino-Japanese joint ventures is a new undertaking in their economic cooperation for which both parties lack experience. Especially because the Japanese investors have a variety of misgivings about China's environment for investment, it is necessary for us to reach a better mutual understanding in the light of what happened in the past.

## VI

To establish a stable and long-lasting relationship of economic cooperation and to open up new prospects for such cooperation, we should further promote the development of Sino-Japanese joint ventures while at the same time developing various forms of economic cooperation. The following three points may be considered as the concrete methods.

1. On the basis of the four principles of friendship, we should further strengthen our mutual understanding and confidence.

2. Realistic measures should be taken to solve certain concrete problems that may hinder the development of Sino-Japanese joint ventures.

3. Both Chinese and the Japanese governments should make further efforts to promote the development of joint ventures.

First, both governments should quickly sign the "investment protection agreement." Sweden, the Federal Republic of Germany, Belgium and Romania have been ahead of Japan in this respect. Therefore, an early breakthrough should be made in the Sino-Japanese talks.

Second, with the use of Japan's overseas cooperation funds, some Sino-Japanese joint ventures run by governments and civilians should be set up at the national level to promote the development of more civilian joint ventures.

Recently, some new progress had been made in Sino-Japanese joint ventures. For example, some new projects for the manufacture of motor vehicles and the production of alloy steel are now under negotiation. We wish these cooperative undertakings early success.

## FOOTNOTE

"Boomerang effects" means that after the transfer of technology from an industrial country, the products from the new productive forces of the

receiving country will compete against the same products of the industrial country on the domestic or international market, thus causing damage to the industrial country.

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CSO: 4006/240

ECONOMIC

CHANGE OF COMMODITY MIX FOR EXPANDING SINO-JAPANESE TRADE

Beijing GUOJI MAOYI [INTERTRADE] in Chinese No 11, 27 Nov 84 pp 19-21

[Article by Guo Li [6753 5461]: "Change the Export Commodity Mix, Expand Sino-Japanese Trade"]

[Text] China and Japan are close neighbors separated by a strip of water, and conditions are very favorable for Sino-Japanese trade. The trade between these two countries now accounts for nearly one-fourth of China's foreign trade, and Japan ranks first among China's partners and will continue to do so for some time to come. Therefore, quadrupling the volume of Sino-Japanese trade is an important condition for quadrupling our entire foreign trade, and the expansion of Sino-Japanese trade is the key to the expansion of our foreign trade. The extent of expansion of our exports to Japan is determined by the change in the export commodity mix. From the course of Sino-Japanese trade development, we can see the important role played by the change in our export commodity mix in the expansion of our exports and Sino-Japanese trade.

During the 1950's and 1960's, agricultural and sideline products were the main stems in our export commodity mix for Japan. For a long time, the ratio of grain, edible oils and other foodstuffs was the highest in our exports and up to 1971, before the establishment of our diplomatic relations, these items still accounted for 40 percent of our exports to Japan, with soybeans topping the list. The ratio of our industrial and mineral products to agricultural and sideline products was 2:8. The volume of Sino-Japanese trade in 1956, totaling \$120 million (\$60 million for exports) was the highest in the 1950's, while that of 1966, totaling \$600 million (\$270 million for exports) was the highest in the 1960's. Up to 1971, before the establishment of diplomatic relations, the trade volume was only \$870 million (\$280 million for exports). Since the volume of Sino-Japanese trade from the 1950's and 1960's to the eve of the establishment of diplomatic relations was so small in scope and value, and the adverse balance was always on our side, there must have been some political factors. At the same time, it also shows that with the low ratio of manufactured goods and industrial and mineral products in our commodity mix, our exports were lagging far behind the demand.

In 1972, diplomatic relations between the two countries were normalized, and their economic and trade relations entered a new phase. The

governments of both countries signed a number of agreements, and Sino-Japanese trade, hitherto on a civilian basis, underwent great development. The trade value, \$1 billion at the time of establishment of diplomatic relations, increased to \$10 billion in 1981. In 1982, because of our national economic readjustment and the reduction in the imports of complete plants, the trade volume dropped to \$8.6 billion. However, a steady upswing began in 1983, when the volume reached \$9 billion. It is anticipated that the trade volume between the two countries will exceed \$10 billion in 1984. A great change has also taken place in our export commodity mix to Japan. Since 1973, the exports of raw silk and textile products rapidly increased and amounted to 40 percent of our exports to Japan. Raw silk ranked first among all exports. After 1974, petroleum jumped to the first place and accounted for 36 percent of our exports to Japan. In 1983, crude oil and finished oil products accounted for 53 percent. The ratio between industrial and mineral products to agricultural and sideline products was 8:2. From this, we can clearly see that every change in the export commodity mix would lead to an expansion of exports and the development of Sino-Japanese trade.

Japan's efforts to change its export commodity mix as a means of expanding its foreign trade also illustrates this point. From 1965 to 1982, the ratio of Japan's textile products, processed nonmetal mineral products and other light industrial products in its exports decreased from 31.8 percent to 12.1 percent. On the other hand, the ratio of heavy industrial products increased from 62 percent to 85.1 percent. The increase in the exports of machinery and instruments was even greater--a jump from 35.2 percent to 65.2 percent. From the 1970's to the 1980's, the ratio of raw and semi-finished material industries (rolled steel and chemical industries) was on a downward trend, while that of processing and assembling industries was on the rise. There were also increases in the export of motor vehicles and particularly electronic, optical and scientific instruments requiring high technical skills. In 1960, Japan's export volume was only \$14.1 billion. It rose to \$19.3 billion in 1970 and then jumped to \$129.8 billion in 1980 and \$146.9 billion in 1983. Thus the change in the export commodity mix brought about a rapid increase in exports.

Although our social system is entirely different from that of Japan, we can still learn something from its successful experiences. In dealing with Japan in our economic and trade work, we should place the export strategy in the foremost position. If we want to quadruple the volume of our foreign trade, we must strive for not only a quantitative increase, but also improved quality--namely a change in the commodity mix--in developing Sino-Japanese trade.

At present, petroleum and coal are the competitive items in our exports. Along with the smooth progress in the exploitation of offshore oilfields and the development of coal, our exports of these items to Japan will further increase. However, since the scale of production among the "material industries" such as steel, cement and petrochemicals has been reduced, its energy imports will also be reduced. Furthermore, in the case of coal, supply now exceeds demand on the international market, and Japan

is unwilling to import too much of it for the time being. Even though Japan in the long run may increase its imports of crude oil and coal, the rate of increase will be reduced. Therefore, it is necessary for us to end our over-reliance on crude oil and coal and to increase the exports of raw materials. According to Japanese market demands, it is possible for us to increase our exports of agricultural produce, nonferrous metals and rare metals. We have a huge territory and rich resources. As long as we can catch up with our work, we can certainly increase the varieties of those commodities which can serve as raw materials.

We must try to make full use of the world's advanced technologies and funds. In the process of our modernization drive, we will develop our technology-and know-how-intensive industries, make every effort to increase the exports of manufactured goods and particularly the technology-and know-how-intensive products to Japan, and change the vertical division of labor to a horizontal one. Only this can we truly form a relationship based on equality and mutual benefit, and ensure the stable and long-lasting economic and trade relationship between China and Japan. Not long ago, Jinan No 1 Machine Tool Plant signed an agreement with Yamasaki Foundry of Japan and succeeded in exporting its common machine tools. This preliminary experiment should be highly regarded.

At the same time, we should further utilize our strong points in the labor-intensive industries to increase our exports to Japan. In the last several years, our exports of textile products to Japan developed very rapidly. These labor-intensive textile products, especially garments, are one of our strong points. However, despite the large volume of our exports, the grade and prices are low, and not much foreign exchange can be earned. In 1982, for example, Japan imported \$3.4 billion's worth of fiber products. Of this amount, \$1 billion went to South Korea, nearly \$600 million came to us, and the rest went to Taiwan, Italy, Hong Kong, the United States and England in that order. Europe and America mainly exported high-grade products, while South Korea and Taiwan were superior to us in delivery dates and packaging. In the future, if we will import more technologies, improve the quality, and spend more energy in updating and upgrading our products in order to increase our competitive power, we can certainly increase our exports and earnings by a wide margin.

Furthermore, while increasing our exports of traditional commodities to Japan, we should also continue to introduce some new commodities. We have gradually developed some new commodities in the past several years. The vegetable transactions between the two countries was something quite original. According to Japanese press reports, China's rapeseeds, garlic sprouts, cabbage and other fresh vegetables are very popular on Japan's market lately. In 1983, Jiangsu Province for the first time exported 320 tons of garlic sprouts, which were much welcomed by Japanese consumers. Japanese traders are also very enthusiastic in dealing in our vegetables. The natural conditions in Jiangsu and some other places are quite favorable for vegetable growth, and their exports can be gradually increased according to Japan's market capacity. Not long ago, Shanghai and Mitsubishi Shaoji Kaisha concluded an agreement on some projects including the reform of

vegetable seeds, the planting of vegetables, the building of canneries and some joint ventures for exports. From this, we can see that economic cooperation between the two countries can take many forms and that much more can be done to improve its outlook.

The general orientation for a radical readjustment of the export commodity mix is the adoption of new technologies to improve the quality and to raise the standards of traditional export commodities, to speed up the updating and upgrading of goods, to develop new products, and then to increase gradually the technology-intensive products, particularly mechanical and electrical equipment, for exports. We can adopt various flexible forms in, for example, the joint exploitation of resources, cooperative production, and joint ventures with Japanese traders in assembling imported parts for exports. When our open-door policy continues to produce effects, we may consider setting up special export plants and special export zones, and give them certain preferential treatment as a means of supporting exports.

From what has been said, we can see that as long as our domestic production can meet the requirements of exports and new breakthroughs can be made in the export commodity mix, and along with the continued improvement and perfection of our foreign economic and trade systems, under the guidance of the correct and effective export policy and with the use of flexible trading methods, it is entirely possible and feasible for us to quadruple the volume of our exports to Japan as well as the volume of Sino-Japanese trade.

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CSO: 4006/240

ECONOMIC

HIGH SAVINGS RATE INTERPRETED

Tokyo LOOK JAPAN in English 10 Jan 85 pp 10-11

[Article by Kazuhiro Hiroe, Vice Minister for International Economic Affairs  
Economic Planning Agency]

[Text]      High Growth and the Personal  
                  Savings Rate

During the rapid growth period of the 1960s, the household savings rate in Japan climbed upward steadily. The virulent inflation and significant deterioration in Japan's terms of trade caused by the first oil crisis in 1973 lowered increases in future income expected by households, and encouraged savings. As a result, the household savings rate in 1974 skyrocketed to as high as 27.8% of individuals' gross disposable income (23.1% in net terms). After that, however, the rate declined slowly, to a level close to that before the first oil shock.

The household savings rate represents the adjustment of wealth to the level which households desire. (Wealth usually means financial assets, such as bank deposits and postal savings, negotiable securities and private life insurance and pensions, and real assets, such as human capital and non-human capital, including houses and durable goods.) The savings rate fluctuates as individuals try to adjust the actual level of their wealth to their "target wealth." Thus, the higher their target wealth, and the faster the pace of adjustment toward the goals, the higher the overall household savings rate in a country.

Factors determining household's target-wealth levels include its actual income level, age distribution, net real rate of return on savings, as well as prices of assets. Naturally, when income increases, the savings desired by household usually expand. The tendency is for

high economic growth to lead to high savings, and high savings help the economy grow.

Such a happy cycle was the rule during Japan's rapid economic growth in 1960s. (This mechanism is explained both by a "permanent income" hypothesis, which primarily sees higher-than-expected increases in income behind the rise in the savings rate, and by a "bonus" hypothesis, which emphasizes increases in the proportion of bonuses in individuals' overall income.) McKinnon calls this effect of economic growth on savings the "portfolio effect." In Japan, however, this effect seems to have weakened significantly in the years of stable but slower growth since the first oil crisis.

A rise in the cost of houses also works to raise people's target-wealth levels. In Japan, the average price of a residence is a breathtaking 17 times one's annual income, reflecting extraordinarily high land prices. The figure far surpasses that for the U.S. (8.5 times) and the U.K. (9.1 times). Such high prices for houses seem to have driven up the household savings rate in Japan.

Additionally, increasing average educational goals and an increasing proportion of university graduates has also contributed to a higher savings rate, although the tendency toward higher education now seems to have leveled off.

At the same time, the savings rate increases when inflation is high. This is natural, since high inflation not only reduces the real values of people's financial assets, but also swells uncer-

tainty toward future economic conditions.

The Reagan Administration hoped to increase household savings rates in the U.S. by implementing drastic reductions in the marginal income tax rate. The idea was to raise the after-tax real rate of return on savings. But, the savings rate in the U.S. has not increased. The reason why the U.S. savings rate has not increased seems to be the improvement in the economy's fundamental conditions: inflation has subsided, and people have raised their expectation of future increases in income. Optimistic prospects have encouraged consumers to buy more, and seem to have largely offset the expected positive effects of the income-tax cuts on the savings rate.

By 1981, Japan had succeeded in overcoming the adverse effects of the second oil crisis. Since then, domestic prices, including houses and land prices, have stopped their upward climb. And since 1983, the Japanese economy has passed through a recovery and started to expand. These developments should result in a lower savings rate in Japan, according to the above analysis. But the rate has shown no major changes in recent years and remains at a high level.

#### Institutional Differences Create Different Saving Behavior

The household savings rate in Japan stood at 22.8% (17.3% on a net basis) in fiscal 1982, quite high by international standards. But for accurate international comparison, and to assess its development, one has to take into account several factors affecting the definition of the savings rate.

For example, purchases of consumer durables are classified as current expenditures, under the System of National Income Accounting (SNIA), which Japan presently employs. However, it is also possible to consider as current expenditures only consumption of services produced by durable goods — akin to rental fees, explicit or implicit, for houses. This is similar to treating buying a house as an investment expenditure; both durable goods and houses can constitute a household's assets.

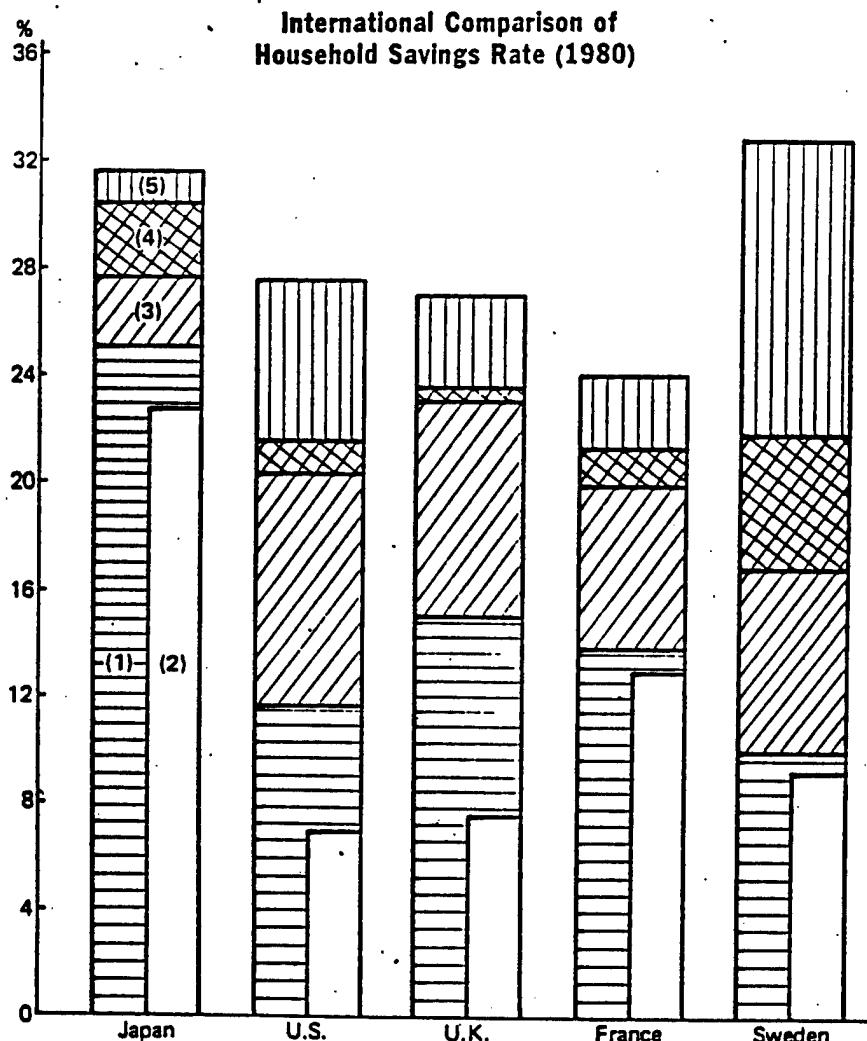
The difference in the gross savings rate between the SNIA-based method and the alternative way of calculation is indicated by the "No. 3" area of the chart below.

As seen in the chart, the alternative calculation method yields savings ratios about 7-8% higher than the present method in countries like the U.S., the U.K., and Sweden, where the proportion of purchases of durable goods is high. By contrast, in Japan, where the proportion is low, the difference is less than 3%. Thus, using the alternative calculation method, the difference in the savings rate between Japan and other countries shrinks to a large extent. Conversely, this implies that the similarity of the consumption pattern of Japanese households to the U.S. pattern could work to lower the savings rate calculated by the SNIA-based method.

Secondly, rules for classifying payments for and benefits from private pension, life insurances, and public social welfare programs are another aspect one must take into account when carrying out international comparison of the savings rate.

In the SNIA, payments for and benefits from the social security systems are all counted as current expenditures and revenues; while in the case of private pensions, including corporate pensions, retirement allowances, and life insurance, the payments are classified as savings and the benefits are regarded as decreases in savings. Therefore, the "household savings rate" also differs from country to country depending on whether institutional systems for social security pay individuals' benefits primarily through the public system, or primarily through private systems. There is good reason to believe that heavy reliance on an unfunded social security system will tend to lower both the household savings rate and national savings rate. The immaturity of the social security system combined with the surplus of the Social Security Fund in Japan (2% in terms of nominal GNP) so far seems not to have exerted adverse effects on private savings or national savings.

Another important factor influencing households' propensity to save is government spending on education and medical care. Sweden, which has a "large" government, has the highest proportion of government spending from direct taxes on households which are "recycled" back to the general public for such services as education and medical care. In other words, if households consider taxes a substitute for their savings, the general tendency is



(1) Household savings rate (2) when private pensions are regarded as equivalent to the Social Security Fund. (3) Purchase of consumer durables (4) when the Social Security Fund is regarded as equivalent to private pensions. (5) A part of the direct tax on households which is recycled back to the general public in the form of government subsidies on education, medical care, and other services.

Sources: OECD, "Alternative Measures of Saving," June 1983; Economic Planning Agency, "Economic White Paper for Fiscal 1982".

for the "larger" the government, or the higher the tax, the lower the household savings rate.

#### **Concern About Public Sector Deficit Affects Saving Behavior**

Finally, it is highly possible that households are salting away money to prepare for possible increases in the tax burden because of fears that the government will eventually adopt tax-increase policies to reduce its budget

deficit. This inclination of households is explained by an "savings-substitution among economic sectors" hypothesis, and by "neutrality of government debts." Although empirical studies conducted in Japan on the savings rate disprove the existence of savings-substitute relationship between the public and the household sectors, outcomes of its quantitative effects on household's savings rate differ from study to study.

The problem of budget deficits includes the flotation of deficit-financing bonds in the medium term and the dete-

rioration of balance in public pension funds in the long term.

Given the rapidly increasing number of elderly ("aging society") and the resulting growth of pension repayments, it is almost certain that the existing Social Security Fund will fall into deficits some time in the 1990s without the reform of the existing social security systems.

The only way for the government to prevent this without changing levels of pension benefits for individuals is to increase people's payments for the pension to levels equivalent to or above those now adopted by Western advanced countries. And if the government raises people's payments, it is highly likely that the household savings rate will fall. Furthermore, if households view public pension the same as private pensions, the decline in the savings rate will be larger.

A large reduction in the household savings rate would no doubt greatly affect the balance between savings and investment in the national economy. If households build up their wealth in the form of more subscriptions to private pensions, as a self-help efforts to avoid drastic changes in the payments-benefits level of the social security system, that will help sustain the high rate of households' savings. This increasing reliance on private systems is welcome and should be promoted, because it eliminates the need for the government to grow larger, and helps maintain private-sector vitality.

It is necessary for the government to carry out a sweeping review of the existing pension systems to avoid drastic changes in the balance of pension funds and excessive intergenerational transfer of income. Furthermore, it should seek more efficient ways of utilizing the present high savings rate both in domestic and overseas markets. Domestic capital formation should be promoted through expansion in private, notably housing investment. The liberalization and internationalization of the Japanese financial market should also be advanced, thus enabling the supply of capital to flow to the world economy in a more efficient way.

CSO: 4100/215

ECONOMIC

SUPPORTING THAILAND'S NATIONAL DEVELOPMENT PLANS REPORTED

Tokyo LOOK JAPAN in English 19 Jan 85 pp 9, 11

[Article by Toshio Nakamura, Economic Cooperation Division Ministry of International Trade and Industry]

[Text]

*In recent years, Japan has expanded economic cooperation to almost all developing countries around the world. But Japan's assistance continues to center on Asia, particularly on ASEAN (Association of Southeast Asian Nations), with which Japan has had historically close relations. In 1982, aid to these countries was approximately \$684 million, or 29% of the net amount of bilateral government development assistance.*

*Thailand is an important economic partner for Japan, and also occupies an important position in Japan's economic cooperation program.*

Japan's total loan and grants to Thailand stood at approximately ¥525.6 billion (Exchange-of-Note basis) at the end of December 1983, making Thailand the third largest recipient of Japanese economic assistance in cumulative total, preceded only by Indonesia and India.

**Yen Loans**

Provision of yen loans constitute the majority of Japan's bilateral official development assistance. Below is an outline of the yen loans that have been extended to Thailand so far.

In January 1968, the governments of Japan and Thailand concluded an exchange of notes on the first yen loans for ¥21.6 billion. Yen loans have been provided continuously since then, and in July 1984, an exchange of notes on the 11th yen loan was concluded. The cumulative total of yen loans extended to Thailand reaches ¥521.138 billion. By sectors of the projects financed by yen loans, the transportation sector, including improvement of roads, railroads and airports, ranks first with 34.2% of the total of ¥177.565 billion yen loans extended to Thailand. The energy sector,

which includes hydroelectric and thermal power development and improvement of power transmission and distribution system, is next with 24.5% (¥127.116 billion). Other major sectors financed by yen loans are agriculture, forestry and fisheries (¥96.287 billion, 18.5%), manufacturing (¥48.423 billion, 9.3%), communications (¥46.737 billion, 9%), and water supply (¥21.04 billion, 4.0%).

Japan has mainly extended yen loans in order to support the improvement of the infrastructure of the various sectors according to the priorities of the projects in Thailand's development policies.

**Thailand's Development Plans**

Prompted by the report entitled *A Public Development Program for Thailand*, which was presented in the late 1950s by the World Bank, Thailand undertook its first development plan in 1961-66. The First Development Plan was centered on road construction, electric power development, and improvement of irrigation facilities. Japanese yen loans had yet to be extended to development projects at this stage.

In view of the results of the First Development Plan, the Second Development Plan was undertaken in 1966-71 with emphasis on correcting of income discrepancies between urban and rural areas, improving and diversifying of agricultural productivity, increasing employment opportunities and improving the quality of the labor force. The project also involved improvement of the transportation and communication infrastructure, electric power development and improvement of irrigation facilities. Japanese yen loans were provided so as to cooperate in the implementation of the Second Development Project for the first time. These loans were used for the Sirindhorn Dam project and for the expansion of telephone networks in Bangkok region.

#### Yen Loans to Thailand (in billion yen)

	Date of Conclusion of E/N	Amount
1st	Jan. 12, 1968	21.6
2nd	April 12, 1972	64.0
3rd	Oct. 7, 1975	16.84
4th	June 10, 1977	24.9
5th	March 29, 1978	32.5
6th	April 20, 1979	39.0
7th	July 29, 1980	50.0
8th	April 21, 1981	55.0
9th	June 8, 1982	55.0
10th	June 27, 1983	67.36
11th	July 16, 1984	69.638
Special	April 20, 1979	10.3
Special	June 8, 1982	15.0
Total		521.138

The Third Development Plan was undertaken in 1971-76. Supported by the favorable economic performance in the 1960's, the Plan was aimed at further improving the structure of the economy, sustaining growth, correcting income discrepancies, developing human resources, and increasing employment opportunities. It involved a wide range of programs including hydroelectric and thermal power development, improvement of agricultural irrigation facilities in central and northeastern regions, village electrification, strengthening of railroad transportation capacities, and improvement of highways. Japanese yen loans were extended for the development of a multipurpose dam in Nam Phrom, construction of a bridge over the

Chao Phraya River in Bangkok and improvement of power transmission and distribution networks.

In view of the turbulence Thailand experienced during its Third Development Plan, the Fourth Development Plan (1976-1981) emphasized "correction of structural problems potentially present in society," with the objective of "relieving the majority of people still in poverty and thus promoting equal economic and social order." In industry, growth of export-oriented industries was expected to achieve almost the same proportion as that of agriculture and manufacturing in the country's real gross domestic product.

In agriculture, on the other hand, the plan continued to stress expansion of institutional finance and further diversification of agricultural products. The project involved improvement of the infrastructure of individual fields. As part of village development, Japan started to extend economic assistance to the Small Scale Irrigation Program, the Productivity Road Construction Project, and the Village Electrification Project. Japan also provided loans for the Bank for Agriculture and Agricultural Cooperatives (BAAC) in order to support the development of institutional finance.

In the field of electric power, economic assistance was extended for the strengthening of the South Bangkok Thermal Power Station No. 5 and the Ban Chao Nen Hydropower Station. In the field of road construction, assistance was provided for the construction of an expressway and a bridge over the Chao Phraya River both in Bangkok.

#### The Fifth Development Plan and Projects Financed by Yen Loans

The Fifth Development Plan (1982-86) is designed to reflect the expectation that Thailand will become a newly industrialized country in the next ten years. It encompasses the following policies: (1) further adjustment of the economic structure to emphasize an efficient economy rather than economic growth; (2) an emphasis on equality in economic and social development; (3) the elimination of poverty in undeveloped areas; and (4) the development of the private sector. In order to achieve these targets, the plan calls for restrained budgetary and financial policies, savings in mineral fuels which account for more than 30% of the total im-

port volume, the development of domestic energy resources and the improvement of Thailand's trade balance. In the long term, it also calls for the adjustment of the production structure and the elimination of poverty by developing agricultural villages.

Specifically, in the field of manufacturing, the Eastern Seaboard Development Program is intended to promote regional development, employment, and export-oriented industries by using natural gas obtained from the Gulf of Siam and diffusing manufacturing industries now concentrated in Bangkok area. In the field of agriculture, since remarkable increases in production through the expansion of cultivated land area cannot be expected, the Fifth Development Plan seeks to improve productivity through the improvement of irrigation facilities, utilization of chemical fertilizer, and the dissemination of improved varieties of crops. The elimination of poor farming villages such as those in the northeastern part of Thailand is an important goal of the Fifth Development Plan.

Japanese yen loans have been extended to the following projects of the Fifth Development Plan.

#### **Eastern Seaboard Development Project**

The Project is an ambitious one which will cover a total area of approximately 1,340,000 hectares and affect about 1,600,000 people in the three prefectures of Chon Buri, Rayong, and Cachoengsao. The Project's objectives are: promotion of small-scale industries in Chon Buri; promotion of export-oriented small- and medium-scale industries using ports in Laem Cha Bang; promotion of farm and fishery products processing industries in Rayong; establishment of basic heavy and chemical industries in Map Ta Pud; and promotion of the farm product processing industry in Chachoengsao. The investment cost in related infrastructure is estimated at 13.1 billion Baht. Japan International Cooperation Agency (JICA) had conducted feasibility studies for the related development projects, and Japan has so far extended a total of ¥53.743 billion in yen loans to the following projects through the Overseas Economic Cooperation Fund.

**East Coast Water Pipeline Project.** Water pipelines will be constructed from the Dok Krai reservoir to Map Ta Pud to supply industrial and

potable water to the eastern coastal industrial area. ¥6.57 billion was extended to the project in the 9th loan.

**Nong Pla Lai Dam Project.** The aim of this project is to overcome the shortage of irrigation water in the Dok Krai reservoir and to meet the increasing water demands for industrial and urban use. ¥320 million was financed for engineering service in the 9th loan.

#### **Map Ta Pud Complex**

**Natural Gas Separation Project.** This project in the Map Ta Pud industrial complex is to build a plant for separation of natural gas obtained from wells in the Gulf of Siam where commercial production of natural gas began in 1981. With the completion of the project, the projected annual production is 420,000 tons of LPG, 100,000 tons of ethane, and 60,000 tons of natural gasoline. ¥15 billion of the special yen loan was provided in 1982 to construct a terminal, shipping facilities, and pipelines. The plant is scheduled to begin operations in early 1985.

**Laem Cha Bang Port Construction Project.** This project calls for construction of a commercial port for light industry in the Laem Cha Bang industrial complex. The port will have six berths and will be able to deal with five million tons of cargo annually. This project was financed by ¥650 million in the 10th loan and ¥4.172 billion in the 11th loan respectively.

**Map Ta Pud Port Construction Project.** This project involves the construction of an industrial port for heavy and chemical industries in the Map Ta Pud industrial complex. The port will have 13 berths and is designed to handle four million tons of cargo annually. Japan provided ¥780 million in the 10th loan and ¥5.611 billion in the 11th loan for this project.

**Fertilizer Complex Project.** One of the keys to the development of agriculture in Thailand is the effective use of chemical fertilizer. Very little fertilizer has been utilized in Thai agriculture compared to other ASEAN countries. One of the many reasons for this is that chemical fertilizer is not produced domestically. Thus, the Thai government planned to construct a fertilizer plant in the Map Ta Pud industrial complex which will utilize domestic resources and meet most of the domestic

demand. In response to requests from the Thai government, Japan is considering extending a proposed ¥20.206 billion for the project in the 11th loan.

In addition, Japan has extended the following yen loans for engineering services: ¥140 million for the Map Ta Pud industrial complex, ¥150 million for the Sattahip-Rayong Railway Extension Project in the 10th loan, and ¥144 million for the Nong Ko-Laem Cha Bang Water Pipeline Project in the 11th loan.

#### Village Development Projects

Various projects are now being carried out to eliminate poverty in rural areas. The following projects are typical among those implemented using yen loans.

**Small-scale Irrigation Project.** In response to the Fourth Development Plan, Japan began to finance yen loans in the fifth loan for the development and improvement of irrigation facilities in rural areas. So far, it has provided a total of ¥28.46 billion in five times for this project. Only 11% of the cultivated land area in Thailand enjoys the benefit of irrigation facilities. This is a serious problem in the northeastern part of Thailand where unit production of rice in that region is far below the national average.

The aim of this project is to improve and establish 2,500 small-scale irrigation

facilities and increase agricultural productivity. To date, 1,500 facilities were financed.

**Village Electrification Project.** This Project calls for providing electricity to all villages to improve the living environment in rural communities. Under the Fifth Development Plan, the government of Thailand plans to provide electricity for 20,000 villages. In response to requests from the Thai government, Japan provided ¥8.28 billion in the 8th loan to provide electricity for 2,700 of these villages. In addition, to supply electric power to other rural areas under this project, there are projects for power distribution system reinforcement and normal rural electrification, for which Japan has provided ¥32.83 billion and ¥6.58 billion, respectively.

#### Future Prospects

Thailand has been the largest recipient of Japanese yen loans since fiscal 1982 (10th loan). Japan will continue to cooperate with the Fifth Development Plan by considering the requests of the Thai government and studying the feasibility of the various individual projects. Through this assistance, Japan hopes to contribute to Thailand's economic development and the development of friendly Japan-Thai relations.

CSO: 4100/216

ECONOMIC

GOVERNMENT WARNS OF NEED FOR TAX INCREASES

OW300805 Tokyo KYODO in English 0757 GMT 30 Jan 85

[Text] Tokyo, 30 Jan (KYODO)--The government submitted a report to the Diet Wednesday, warning substantial tax raises would be inevitable to offset bond issues to cover revenue shortfalls.

The House of Representatives Budget Committee was told that the present government plan to stop deficit-financing bond issues by fiscal 1990 is destined to failure without a sweeping tax reform.

Without drastic changes in spending plans and fiscal steering, revenue shortages would rise to 5.67 trillion yen (22 billion dollars) in fiscal 1988, according to medium-term projections for public finance.

To achieve balanced budget by fiscal 1990, the government must force negative growth in general account spending in the next 5 years, the report said.

The projections are based on assumption that the economy would expand at a nominal annual rate of 6.5 percent.

The government also expects tax revenues to rise at an annual rate of 7.15 percent at the present taxation scale.

Under the proposed fiscal 1985 budget, the government will reduce the outstanding balance of deficit-financing bond issues by only 725 billion yen (2.9 billion dollars), far below the target of 1.08 trillion yen (4.3 billion dollars) for the year.

To clear the debts by fiscal 1990, the government must cut them by 1.15 trillion yen (4.5 billion dollars) in fiscal 1986 and in each of the remaining years, the report said.

CSO: 4100/183

ECONOMIC

**GOVERNMENT EXPECTED TO WIDEN MARKET OPENING**

OW300907 Tokyo KYODO in English 0847 GMT 30 Jan 85

[Article by Shiro Yoneyama, KYODO staff writer]

[Text] Tokyo, 30 Jan (KYODO)--Japan's telecommunications policy is so restrictive that even the number of reporters assigned to cover the Posts and Telecommunications Ministry is limited.

The fact is just one example of Japan's innate reluctance to tell the outside world what's happening in the country in detail and, in the opinion of American trade negotiators, also shows a lack of full foreign access to the lucrative Japanese market.

In an unprecedented new year meeting in Los Angeles with Prime Minister Yasuhiro Nakasone, President Ronald Reagan singled out telecommunications as one of four areas his country plans to seek greater market access in Japan.

The other three are electronics, forest products and pharmaceuticals and medical equipment which Allen Wallis, the chief U.S. negotiator to just-ended two-day high-level talks, emphasized are "highly competitive on basis of price, quality, reliability, and technological excellence."

That subcabinet-level meeting here Monday and Tuesday and the first sectoral talks on telecommunications that immediately followed produced agreement on procurements by the Nippon Telegraph and Telephone Public Corp. (NTT).

The accord ensures that the giant monopoly would honor its commitment to buy American telecommunications products even after its privatization 1 April under the existing pact, which remains effective until the end of 1986.

The U.S. negotiating team made more requests, urging a transparency of telecommunications standards and certifications and the purchase of American satellites.

At the end of the two-day meeting, Wallis stressed that "satisfactory and timely resolution" of the telecommunications issue is "critical" because Japan is putting finishing touches on ordinances covering the vital sector.

He predicted that removal of various regulations and other barriers would enable the United States to export 10 billion dollars more in those competitive and other products to Japan.

The total would trim one-third of America's trade deficit of 35 billion dollars with Japan in 1984, he said.

Meeting Wallis and other under secretaries Monday prior to the start of the high-level talks, Foreign Minister Shintaro Abe remarked that a strong U.S. dollar and a lack of competent sales efforts in Japan by American companies were partly to blame for the red ink.

His remarks can be interpreted either as a tactical error by the Japanese negotiating team or as a calculated move by Foreign Ministry officials anxious to harmonize Tokyo-Washington relations by prodding other governmental agencies to be more lenient toward imports.

Wallis, under secretary of state for economic affairs, revealed at a news conference it was his negotiating team not its Japanese counterpart that first raised the exchange issue at the outset of the trade consultations.

The U.S. move apparently foiled Japan's premeditated plan to veer the discussions on the four specific areas away as much as possible and to demand remedial steps by the United States to bring exchange rates to a more reasonable level.

Prime Minister Nakasone told the Diet Wednesday his government intends to make its utmost efforts to make the Japanese market more accessible to imports.

He suggested stepped up capital exports as one way to whittle down Japan's huge trade surplus, which Wallis said has become "a global problem."

As late as last week, Nakasone expressed determination to open the Japanese market "not step by step but stride by stride."

With foreign trade issues expected to dominate U.S. Congressional hearings in February and March, the Japanese Government has little options to counter American pressures for greater access to the Japanese market.

Japan, which has long championed free trade principles and has been one of the world's major beneficiaries from them, is now required to show its commitment to free trade not by words but by deeds.

"Japan has to open its market further to imports sooner or later," a senior Foreign Ministry official said the other day. "The question is ... at what speed."

CSO: 4100/183

ECONOMIC

AUTOMOTIVE EXPORTS HIT RECORD HIGH IN 1984

QW300941 Tokyo KYODO in English 0904 GMT 30 Jan 85

[Text] Tokyo, 30 Jan (KYODO)—Japan exported a record 6,109,184 cars, trucks and buses in 1984, up 7.8 percent over the preceding year the Japan Automobile Manufacturers Association reported Wednesday.

The previous annual record was the 6,048,447 units in 1981.

The 1984 total comprised 3,980,619 cars, up 4.6 percent; 2,072,325 trucks, up 13.7 percent; and 56,240 buses, up 38.2 percent.

The association attributed last year's good gain to sharply increased truck exports to the United States and Southeast Asia.

The 1984 exports overall were equivalent to 53.3 percent of the year's total auto output, up 2.3 percentage points from 1983.

Exports to the United States accounted for 2,579,439, up 15.4 percent, those to Europe 1,267,591, down 0.5 percent, and those to Southeast Asia 659,379, up 22.1 percent.

In December, Japan exported 515,825 units, up 8.9 percent from a year before.

Motorcycle exports in December rose 15.2 percent from a year earlier to 240,949 units, the association said.

But exports in all of 1984 fell for the third straight year—by 19.1 percent to 2,122,440.

CSO: 4100/183

ECONOMIC

JAPAN TO HOLD AVIATION TALKS WITH USSR, FRG

OW311149 Tokyo KYODO in English 1136 GMT 31 Jan 85

[Text] Tokyo, 31 Jan (KYODO)—Japan will start civil aviation talks with the Soviet Union and West Germany in Moscow and Bonn, respectively, next month to review the transport of passengers and cargo to and from these nations, officials said Thursday.

The officials said the Russo-Japanese talks are scheduled for 5-7 February in the Soviet capital to discuss transport arrangements after April, since the existing bilateral agreement expires in late March.

At present, Japan Air Lines (JAL) operates three weekly flights over the so-called "Siberian Route" from Tokyo to Moscow, linking with major capitals of Europe, and one weekly flight from Niigata in northwestern Japan to Khabarovsk.

Aeroflot, the Soviet airline has eight weekly trans-Siberia flights, and one cargo and one passenger flight via Khabarovsk.

At their meeting in the West German capital on 11 February, Japan and West Germany will study the possibility of reinforcing the existing transport capacity after April.

Presently, JAL, Japan's national flag carrier, operates four weekly flights, including polar and Moscow transit flights.

Lufthansa, the German airline runs seven polar weekly flights.

Official statistics show the transport of passengers between Japan and West Germany rose 10 percent in 1983 over the previous year.

CSO: 4100/183

ECONOMIC

JAPANESE SECURITY FIRMS MOVING INTO SOUTH KOREA

OWL20545 Tokyo KYODO in English 0529 GMT 12 Feb 85

[Text] Tokyo, 12 Feb (KYODO)—Japanese securities companies could be on the verge of a considerable leap forward in their race to form capital tie-ups with South Korean firms, industry sources said Tuesday.

Yamaichi Securities Co has agreed in principle to acquire an equity interest in South Korea's Daishin Securities Co and could become the first Japanese company to obtain access to the potentially lucrative market, they said.

The move is likely to be followed swiftly by similar arrangements between Japanese and South Korean securities companies.

South Korea lifted a ban on foreign capital participation in securities companies capitalized at 20 billion won (23 million dollars) or more in the summer of 1983, and Sangyong Securities Co and several other leading South Korea brokerage firms began sounding out Japanese companies shortly afterward.

Nomura, Daiwa and other Japanese brokerage companies have responded positively to the soundings, the sources said.

Daishin has turned to Yamaichi and Britain's W.I. Carr, Sons and Co for financial collaboration.

The company, now capitalized at 20 billion won (23 million dollars) has offered to divest itself of a planned 10 percent increase in the capital equally to the Japanese and British firms.

A formal agreement is expected to be signed next month, at the earliest.

CSO: 4100/229

ECONOMIC

DIET TO RECEIVE BASIC TECHNOLOGY AID BILL

OWI50431 Tokyo KYODO in English 0401 GMT 15 Feb 85

[Text] Tokyo, 15 Feb (KYODO)—The government and the ruling Liberal Democratic Party (LDP) Friday decided to submit to the Diet (parliament) a bill aimed at harmonizing Japan's basic technology studies, government officials said.

Both the cabinet and LDP's Executive Council decided to propose the bill to establish a basic technology research promotion center next October with an initial fund of 12 billion yen (46 million dollars) to finance or make "risk money" loans for basic technology studies among private enterprises.

The centre, to be governed jointly by the Ministry of International Trade and Industry (MITI) and the Ministry of Posts and Telecommunications, will promote cooperative studies by industrial, academic and government circles in the basic technology field.

It will also create a "Japan trust" for inviting competent foreign researchers to Japan to encourage international joint studies, among other projects, the officials said.

The bill ironing out basic technology research wrinkles will also deregulate rules to permit private researchers to use state facilities upon request and at low fees, they said.

It will also change a government ordinance to allow free use of the state patent rights gained through basic technology joint studies with foreign governments or international organizations.

The current ordinance requiring paid-in acquisition of state patents has stopped Japan from joining some international joint studies, including a U.S.-West Germany joint project to develop heat-resistant automobile engines, they said.

The bill defines basic technology as those for mining and manufacturing industries, telecommunications and broadcasting, which strengthen the basis of the national economy and livelihood, under the jurisdiction of the MITI and the Ministry of Posts and Telecommunications, they added.

CSO: 4100/229

ECONOMIC

TOYOTA TO DISCUSS AUTO PRODUCTION WITH CHINA

OW181003 Tokyo KYODO in English 0857 GMT 18 Feb 85

[Text] Osaka, 18 Feb (KYODO)--Shoichiro Toyoda, president of Toyota Motor Corp, said Monday that either he or company chairman Eiji Toyoda, would visit China in spring at the earliest to discuss possibilities of cooperation in auto production knowhow and a possible joint auto production venture.

He told newsmen that China had sounded out Toyota, Japan's largest automaker, on possibilities of such cooperation.

"We must cooperate if we can do anything in this respect," he added.

Isuzu Motors Ltd announced on February 8 that it will establish a joint firm later this month with Chongqing Automotive Industry Corp to produce 1,000 pickup trucks annually in Chongqing City, Sichuan Province, representing the first Sino-Japanese joint venture in auto production.

Toyoda also told newsmen that the Japan-U.S. agreement restricting Japanese auto exports to the U.S., due to expire on March 31, "has finished its role as an emergency measure to prop up the U.S. auto industry."

While noting the "spectacular" recovery of major U.S. automakers, he said Japanese production and sales capacity would preclude of a "torrential" increase in exports to the United States, even if the pact were totally abolished.

The export limit, in effect since April 1981, was originally set at 1.68 million cars annually and increased to 1.85 million by the Reagan administration last year after U.S. automakers posted record 1983 profits of 6.15 billion dollars. The firms earned a record 9.8 billion dollars last year.

Toyoda predicted a mild gain in Toyota's exports to the U.S. after the possible lapse of the agreement, and said that the company will increase its inventory in the U.S. to a 50-day supply over the next six months.

He said that Toyota's U.S. inventory is currently below its allowable level.

CSO: 4100/229

ECONOMIC

VCR PRODUCTION HITS RECORD HIGH IN 1984

OW180759 Tokyo KYODO in English 0752 GMT 18 Feb 85

[Text] Tokyo, 18 Feb (KYODO)--Rising foreign demand spurred home video-cassette recorder (VCR) production to a record 27.12 million sets last year, preliminary industry figures showed Monday.

The figure was up 48.9 percent from 1983's record 18.22 million units.

Production in December alone totaled 2.46 million, up 25.9 percent over a year earlier, with shipments for the month up 23 percent to 2.4 million, according to the Electronic Industries Association of Japan's report.

Exports accounted for 2.04 million of the shipment total, up 23.1 percent.

Shipments in all of 1984 totaled 26.08 million, up 42.9 percent over the previous year. Exports shot up 44.8 percent to 22.07 million.

The United States topped the list of importers with 11.9 million units, up 119 percent, while shipments to the European common market rose 19.2 percent to 3.76 million.

Domestic shipments increased 16.8 percent to 4.27 million.

Color television set production also reached a record 14.48 million sets last year, up 17 percent, according to a separate association report.

This was the first double-digit increase for color televisions in four years.

Production in December also hit a record 1.45 million, up 18.5 percent, and shipments of 1.56 million were up 17.5 percent from December 1983. This brought the annual total to 14.18 million, up 14.4 percent.

Last year's exports totaled 6 million, the highest on record, up 31.7 percent. Shipments to the U.S. totaled 1.2 million, up 82.1 percent, while those to China jumped 744.6 percent to 1.05 million. Domestic shipments, on the other hand, dropped 1.3 percent to 7.56 million.

CSQ: 4100/229

ECONOMIC

NAKASONE, TAX COMMISSION CHIEF FAVOR VAT

OW200615 Tokyo KYODO in English 0603 GMT 20 Feb 85

[Text] Tokyo, 20 Feb (KYODO)--The head of the government tax commission indicated Wednesday the European value-added tax [VAT] system would most likely be adopted in a government proposal to introduce comprehensive indirect taxation aimed at slashing the government's huge deficits.

Takekazu Ogura, chairman of the tax commission, an advisory body to the prime minister, told the lower house budget committee that the majority view at the commission favors the "VAT" formula if the government decides to introduce the new indirect taxes.

Currently, about 70 percent of the government revenue comes from direct taxation, and government has claimed a sweeping reform of the taxation system is necessary in order to pare down the government outstanding deficit, which totals some 130 trillion yen (500 billion dollars).

Ogura, testifying before the budget panel, said the commission favors the VAT system because the formula, though cumbersome and involving a great deal of paper work, is "fair" as compared to other alternative indirect tax systems.

Nakasone, testifying before the same session, also defended the VAT system, arguing the tax is less of a "catch-all" taxation system.

The Finance Ministry also favors the VAT, which is levied every time the value of a product or service increases as it goes through various production and distribution stages between the factory and the retail outlet.

In contrast, the ruling Liberal-Democratic Party has proposed a tax imposed at the stage of factory system, while the business community favors a retail tax.

Ogura told the panel that he was aware of the adverse effects and the complexities involved in administering the tax and argued that "there are ways and means" to tackle these problems.

CSO: 4100/229

ECONOMIC

GREEK SHIPPING MINISTER DUE FOR TALKS 24 FEB

OW200645 Tokyo KYODO in English 0635 GMT 20 Feb 85

[Text] Tokyo, 20 Feb, KYODO--Greek Mercantile and Marine Minister Yeoryios Katsifaras will arrive in Tokyo Sunday for talks with Japanese Government officials and shipbuilding industry leaders, a foreign ministry official said Wednesday.

Katsifaras will meet with officials of the ministries of foreign affairs and transport and shipping industry leaders in Tokyo and visit shipbuilding plants in Kobe.

The Greek minister will confer with Deputy Foreign Minister Reishi Teshima, the ministry's principal trade negotiator, on the shipbuilding industry and probably on two-way trade, the ministry official added.

Katsifaras will be coming to Japan at the invitation of the Japan Ship Exporter's Association and the Japan Foundation for Shipbuilding Advancement.

The official said Japan and Greece share the strong belief in free shipping despite growing calls by the United States and some other countries for more frequent use of their vessels.

Japan's chronic trade surplus with Greece is a major source of serious concern to both sides in view of otherwise trouble-free bilateral relations, the foreign ministry official said.

Japan exported 749 million dollar worth of ships, autos, audio equipment and other goods in the first 11 months of 1984 while importing only 73 million dollars worth of steel coil, rolled steel, leaf tobaccos and "less valued-added products."

"The trade imbalance," a foreign ministry source said, "has long been a pain in neck." The Greek Government has urged Japan to import Greek products and encourage Japanese companies to invest there, the source added.

Katsifaras, a founding member of the country's Socialist Pasok Party, is the first Greek cabinet minister to visit Japan since last August when the Actress-turned Culture and Science Minister Melina Merkouri traveled to Tokyo.

ECONOMIC

LARGE TARIFF CUT FOR FOREST PRODUCTS OPPOSED

OW221103 Tokyo KYODO in English 1048 GMT 20 Feb 85

[Text] Tokyo, 20 Feb, KYODO--Japanese paper manufacturers Wednesday decided to oppose any further large cut in import tariffs on paper and other forest products with the approach of scheduled talks on forest products between Japan and the United States in Tokyo from next Monday.

The U.S. is expected to ask Japan to reduce tariffs on forest products, particularly cardboard and kraft paper, beyond its commitment to lower the rates under the Tokyo round of multilateral trade negotiations.

Japan has lowered tariffs on paper products three times under the Tokyo round, with the fourth cut scheduled to be made to 8.5 percent in April from 9.3 percent at present and the final one to 7.0 percent in fiscal 1987.

Fumio Tanaka, president of the Japan Paper Association, told reporters following the groups executive meeting Wednesday that the Japanese paper industry is committed to accept the tariff reductions Japan promised under the Tokyo round, but any further big cuts would disrupt the Japanese market.

CSO: 4100/235

ECONOMIC

NEW BOOK GIVES OFFICIAL INTERPRETATION OF INDUSTRIAL STRUCTURE LAW

Tokyo SANKOHO NO KAISETSU in Japanese 24 Dec 83 pp 388-425

[Chapter 4 section 1 from book "Commentary on Industrial Structure Law" compiled by the Industrial Policy Bureau, Ministry of International Trade and Industry [to be precise, by Yasuyuki Fujishima, director of the Industrial Organization Policy Office; (Hiroshi) Ogawa; (Kensuke) Adachi; Masahisa Inami; Hideki Takahashi; Seiji Hagiwara; Tetsuo Suzuki' Takashi Honjo; Kunihiro Kitamura, and Hidehiro Yokoo], published by the Research Council on International Trade and Industry, preface [by Industrial Policy Bureau Director General Keiichi Onaga], table of contents, 493 pages]

[Text] 1. Basic Laws, and the Like

(1) Law for Temporary Measures to Reform the Structure of Specific Industries

[{ } indicate square brackets in the original]

{Law Number 44 of 1983}

Chapter I. General Provisions

(Objective)

Article 1. The objective of this law, in light of recent striking changes in economic conditions at home and abroad; shall be to contribute to the sound development of the national economy by establishing basic plans for the structural reform of specified industries in accordance with actual conditions in those industries and devising measures for things such as promotion of planned disposal of equipment and of correction of production methods, or of the scale of production or management [in such specified industries], thereby advancing the structural reform of specified industries while giving consideration to stability of employment and stability of management of entrepreneurs of small and medium enterprises.

(Specified Industries)

Article 2. In this law "specified industries" shall refer to manufacturing industries which belong to the following industry-types and are designated by cabinet order.

1) Manufacture of semi-finished products: ordinary steel steel ingots or structural steel, using electric furnaces  
2) Aluminum smelting  
3) Manufacture of chemical fibers  
4) Manufacture of chemical fertilizers  
5) Manufacture of ferrous alloys  
6) Manufacture of Western paper [i.e. not traditional Japanese paper] and cardboard  
7) Petrochemical industry  
8) In addition to those listed under each number above, industry-types for which, due to striking changes in economic conditions at home and abroad, there is considered to be danger that marked instability in the management of a considerable portion of the entrepreneurs engaged in those industry-types will continue over the long-term because the production capacity of equipment which manufactures the goods which are the object of enterprises engaged in those industry-types will be conspicuously excessive and the production system or the scale of production or management of a considerable portion of the entrepreneurs engaged in those industry-types will be conspicuously inappropriate; and for which, moreover, it is anticipated that this situation will continue over the long term (Limited to those for which energy and raw material costs constitute a considerable portion of production costs for the goods produced by entrepreneurs engaged in those industry-types.), and which are established in cabinet order as having a recognized need to overcome those conditions by promoting structural reform through disposal of equipment (Here and hereafter, this refers to ensuring, through scrapping or long-term storage or rest (limited to those for which it is an adequate mode of reduction of production capacity which can take the place of scrapping), or transfer (limited to cases where it is clear that transferred equipment will be scrapped), that equipment will not be used for production.) and correction of production methods or of the scale of production or operation, for the sake of planning the sound development of the national economy

2. Persons engaged in manufacturing industries belonging to the industry-types listed under each number in the preceding section may apply to the competent minister for designation of said manufacturing industries under the provisions of that section.

3. When there have been applications as described in the previous section, the competent minister shall adopt the procedure for designation of said manufacturing industries under the provisions of section 1, if, and only if, the number of persons who have applied constitutes the majority of the total number of those engaged in said manufacturing industries and the business activity of those who applied constitutes the major portion of all business activity by those engaged in said manufacturing industries.

4. In order for the competent minister to adopt, for an industry-type as an industry-type in section 1 number 8), the procedure established by the cabinet order for that number, he shall consult the opinion of a deliberative council recognized as appropriate in terms of that objective. (In the absence of a competent deliberative council, it shall be the Industrial Structure Council. Hereafter referred to as "related deliberative council.")

5. If, due to changes in economic conditions, any of the industry-types cited in section 1 numbers 1) through 7), or a portion thereof, cease to fit the necessary conditions stipulated in number 8) of the same section, it shall be impossible to designate the manufacturing industries which belong to said industry-type or portion thereof under the provisions of that paragraph, then the designation of said manufacturing industry under the provisions of that section shall be revoked.

6. Enactment or revision of cabinet orders pertaining to section 1 number 8) for the sake of establishing an industry-type as an industry-type under that number shall not be carried out later than 1 January 1985.

## Chapter II. Structural Reform of Specified Industries

(Basic plan for structural reform)

Article 3. When there has been a designation under the provisions of section 1 of the preceding article, the competent minister shall promptly consult the opinion of the related deliberative council and establish a plan (hereafter referred to as the "basic plan for structural reform") to be the basis for efforts at structural reform in the specified industry.

2. The matters to be established in the basic plan for structural reform are as follows:

- 1) Structural reform targets in the target fiscal year
- 2) Matters related to disposal of equipment, such as equipment-type and total production capacity of the equipment to be disposed of, and the method and period of disposal of said equipment
- 3) Matters related to the limitation or prohibition of new construction, enlargement of facilities, and remodeling (Excluding that which hinders renovation or improvement of said equipment. Hereafter the same.) of said equipment to be carried out together with the disposal of equipment [mentioned] in the preceding number
- 4) The following matters required for correction of the scale of production or management or of production methods:

a) Systems and execution methods for the combining of production, sales, purchasing, storage, or shipping, the specialization or merger of product varieties, or the conveyance or receipt of conveyance of total operations or a major portion thereof (Hereafter referred to generically as "enterprise cooperation."), plant and equipment investment required in connection with enterprise cooperation, and other matters related to enterprise cooperation (In cases where the competent minister consults, beforehand, the opinions of a wide range of entrepreneurs belonging to said specified industry and draws up general principles for the implementation of enterprise cooperation, said general principles of enterprise cooperation shall be included.)

b) Matters related to curtailment or conversion of consumption of energy or raw materials and other plant and equipment investment which contributes to reduction in consumption of energy and raw materials, or plant and equipment investment for the sake of enhancing product performance or quality

- c) Matters related to the development of new products or new technology
  - 5) Matters related to conversion of enterprises or other measures (Including measures for the sake of striving for employment stability.) which must be carried out in connection with the disposal of equipment in number 2) or the enterprise cooperation in a) of the preceding number
3. The types of equipment which may be stipulated in connection with disposal of equipment in the basic plan for structural reform shall be established for each specified industry by cabinet order.
  4. The method for computing the total production capacity of equipment prescribed in section 2 number 2) shall be established by ordinance of the competent ministry for each type of equipment stipulated under the provisions of the preceding section.
  5. The basic plan for structural reform shall give full consideration to the employment stability of workers employed by entrepreneurs engaged in said specified industries, and to the management stability of associated small and medium entrepreneurs.
  6. In the event that it is consulted in accordance with the provisions of section 1, the related deliberative council, when trying to form its opinion, shall consult, beforehand, with major business organizations and labor unions which are concerned with said specified industry.
  7. When the competent minister wishes to establish a basic plan for structural reform according to the provisions of section 1, he shall so announce without delay.
  8. When the competent minister considers it necessary due to changes in economic conditions, he shall change the basic plan for structural reform in consultation with the related deliberative council.
  9. The provisions of section 6 shall apply in the event that the opinion of the related deliberative council is consulted in accordance with the provisions of the preceding section; the provisions of section 7 shall apply in the case of the preceding section.

(Efforts of entrepreneurs)

Article 4. When entrepreneurs engaged in a specified industry are notified of a basic plan for structural reform related to said specified industry according to the provisions of section 7 of the preceding article, they shall make efforts independently to carry out disposal of equipment, correction of the production system or of the scale of production or management, and other measures in accordance with the provisions of that basic plan for structural reform. (The changed plan, when changes have been made in accordance with the provisions of section 8 of the same article. Hereafter the same.)

(Instructions regarding implementation of cooperative action)

Article 5. When the competent minister considers that the disposal of equipment and the control or prohibition of new construction, enlargement of facilities, and remodeling of said equipment which is to be carried out along with disposal of said equipment (Hereafter referred to as "disposal of equipment and so on.") is not being implemented in accordance with the provisions of the basic plan for structural reform for said specified industry by just the independent efforts of entrepreneurs engaged in the specified industry, and when he considers that there is danger that the continuation of a considerable portion of the enterprises of the entrepreneurs engaged in said specified industry will become difficult, and that this will constitute an obvious obstacle to the sound development of the national economy, he may consult with the related deliberative council and designate entrepreneurs engaged in said specified industry to implement cooperative action on disposal of equipment and so on in regard to said equipment.

2. Designation under the provisions of the preceding section will be carried out by an announcement which stipulates the period during which the cooperative action is to be undertaken and the content of the cooperative action.

3. The provisions of article 3 section 6 apply in the event that the related deliberative council is consulted under the provisions of section 1.

(Content of cooperative action)

Article 6. The content of the cooperative action stipulated in section 1 of the preceding article shall be in conformance with the following provisions:

- 1) It shall not exceed the extent required in order to implement the disposal of equipment and so on stipulated in the basic plan for structural reform.
- 2) There shall be no danger that it will unjustly harm the interests of the general consumer or of related entrepreneurs.
- 3) It shall not be unjustly discriminatory.
- 4) It shall not unjustly harm the position of the employees of an entrepreneur who is designated for said cooperative action.

(Change of designation of cooperative action and so on)

Article 7. When the competent minister considers that the content of cooperative action concerned with a designation under the provisions of article 5 section 1 no longer conforms to the provisions of the preceding article, he shall change or cancel that designation.

2. The provisions of article 5 section 2 apply in the preceding section.

(Reporting of cooperative action)

Article 8. When a person who has been designated under the provisions of article 5 section 1 (When there have been changes under the provisions of section 1 of the preceding article, the changed form. Hereafter the same.)

has carried out cooperative action in accordance with such designation, he shall report to the competent minister, without delay, the matters stipulated by ordinance of the competent ministry. The same is true when this is changed or abolished.

(Approval of enterprise cooperation plans)

Article 8 part 2. Two or more entrepreneurs engaged in a specified industry who seek to implement enterprise cooperation in accordance with the provisions of a basic plan for structural reform related to said specified industry (Hereafter referred to as "cooperating enterprise entrepreneurs.") can draw up an enterprise cooperation plan concerning the enterprise cooperation which they are jointly seeking to implement, submit this to the competent minister, and receive his approval that the enterprise cooperation plan is appropriate.

2. The enterprise cooperation plan shall mention the following:

- 1) The structural reform objective which the enterprise cooperation seeks to achieve
- 2) The name of the entrepreneurs who will implement the enterprise cooperation
- 3) The system and method of implementation of the enterprise cooperation
- 4) The period of implementation of the enterprise cooperation
- 5) Matters concerning plant and equipment investment required in connection with the enterprise cooperation
- 6) Other matters stipulated by ordinance of the competent ministry

2. In the event that there is a request for the approval [mentioned] in section 1, the competent minister shall give the approval [mentioned] in that section when he considers the enterprise cooperation plan to conform to all of the following provisions:

- 1) It shall be particularly necessary in order to achieve the target fiscal year structural reform goal stipulated in the basic plan for structural reform, and it shall be appropriate in the light of matters related to the enterprise cooperation stipulated in the basic plan for structural reform.
- 2) Structural reform in said specified industry shall be promoted through means such as ensuring of suitable competition between the cooperating enterprise entrepreneurs affected by said enterprise cooperation plan and other entrepreneurs.
- 3) There shall be no danger of unjustly harming the interests of the general consumer or of associated entrepreneurs.
- 4) The position of employees of cooperating enterprise entrepreneurs affected by said enterprise cooperation plan shall not be unjustly harmed.

(Changes in the enterprise cooperation plan and so on)

Article 8 part 3. When persons who have received the approval [mentioned] in section 1 of the preceding article seek to change the enterprise cooperation plan to which said approval pertains, they must obtain the approval of the competent minister.

2. When the competent minister considers that an enterprise cooperation plan which he has approved under section 1 of the previous article (When

there has been approval of a change under the provisions of the preceding section, the form following the change. Hereafter the same.) no longer conforms to all the provisions of section 3 of the same article, he shall direct said entrepreneurs [to make] changes in said enterprise cooperation plan or shall revoke his approval.

3. The provisions of section 3 of the preceding article apply to the approval in section 1.

(Securing of funds)

Article 9. The nation shall make efforts to secure funds needed for disposal of equipment, the correction of production systems, and of the scale of production or management, and other measures carried out in accordance with the provisions of a basic plan for structural reform.

(Special cases in taxation)

Article 9 part 2. When, in the case that an entrepreneur engaged in a specified industry disposes of equipment in accordance with the provisions of a basic plan for structural reform concerning said specified industry (Limited to disposal by scrapping. The same hereafter in this section.) the entrepreneur who disposes of said equipment suffers financial loss through said disposal of equipment, special measures shall be devised regarding the carrying forward of financial losses concerned with corporation tax under the provisions of the Special Taxation Measures Law (law number 26 of 1957).

2. Entrepreneurs who have received approval under article 8 part 2 section 1 (Including changes under the provisions of article 8 part 3 section 1. The same hereafter in this chapter.) shall have reduced corporation tax and (registration license tax) [toroku menkyozei] under the provisions of the Special Taxation Measures Law in regard to corporations established as a result of mergers affected by said approval or corporations established based on funding affected by said approval.

3. Necessary measures shall be devised concerning tax on real estate income [fudosan shotoku zei] under the provisions of the Local Tax Law (law number 226 of 1950) in regard to the entrepreneurs and corporations stipulated in the preceding section.

4. Entrepreneurs (includes those who do not belong to the said specified industry due to a change in business) engaged in a specified industry can have special depreciation under the provisions of the Special Taxation Measures Law in regard to machinery, equipment and other depreciable assets which they have newly acquired, manufactured, or constructed in accordance with the provisions of a basic plan (includes enterprise corporation plan related to approval under article 8, part 2, section 2, and for entrepreneurs and corporations as provided in section 2) for structural reform related to said specified industry.

(Stability of employment and so on)

Article 10. When an entrepreneur engaged in a specified industry carries out disposal of equipment, enterprise cooperation, and other measures in

accordance with the provisions of a basic plan for structural reform related to said specified industry, he shall confer with the unions in the work places affected by said measures (In the event that there are no unions in said work places, [he shall confer with] persons representing the majority of the workers) and strive to devise unemployment protection and other measures necessary to provide stability of employment for the workers employed by him.

2. The nation shall strive to devise unemployment protection and other measures necessary to provide stability of employment for workers employed by an entrepreneur engaged in a specified industry who carries out disposal of equipment, enterprise cooperation, and other measures in accordance with the provisions of a basic plan for structural reform related to said specified industry.

3. The nation and the prefectures, metropolitan districts, and Hokkaido [todfuken] shall strive to practice implementation of job-training, assistance in finding employment, and other measures necessary to contribute to stability of employment and of livelihood for workers who were employed by the entrepreneurs stipulated in the preceding section.

4. The nation and the prefectures, metropolitan districts, and Hokkaido shall strive to devise measures necessary to contribute to stability of management for small and medium entrepreneurs associated with the entrepreneurs stipulated in section 2.

(Exceptions to application of the Law Concerning the Prohibition of Private Monopolies and the Ensuring of Fair Trade)

Article 11. The provisions of the Law Concerning the Prohibition of Private Monopolies and the Ensuring of Fair Trade [shiteki dokusen no kinshi oyo hoseitorihiki no kakuho ni kansuru horitsu] (law number 54 of 1947) shall not be applied in regard to cooperative action which a person who has been designated under the provisions of article 5 section 1 takes in accordance with such designation. However, this shall not be the case when unfair trade practices are used.

(Relationship to the Fair Trade Commission)

Article 12. The competent minister shall obtain the assent of the Fair Trade Commission when seeking to make a designation under the provisions of article 5 section 1.

2. When the competent minister has received a report under the provisions of article 8, he shall notify the Fair Trade Commission of its gist without delay.

3. When the Fair Trade Commission considers that the content of cooperative action affected by a designation under the provisions of article 5 section 1 no longer conforms to the provisions of article 6 numbers 1) through 3), it may request the competent minister to change or withdraw it under the provisions of article 7 section 1.

4. In the event that the competent minister receives an application for approval under the provisions of article 8 part 2 section 1 which he considers a need to exist, he shall forward a copy of the application to the Fair Trade Commission.

5. In the event that the competent minister has forwarded a copy of an application to the Fair Trade Commission under the provisions of the preceding section, when he is about to give approval (under article 8 section 2 part 1) to the enterprise cooperation plan to which said application pertains, he shall notify the Fair Trade Commission of this fact, and shall give his opinion concerning matters related to the state of management of entrepreneurs engaged in the specified industry to which said enterprise cooperation plan pertains, and the state of other enterprise activities, and the state of competition affected by the enterprise cooperation stipulated in said enterprise cooperation plan, and the influence which the implementation of said enterprise cooperation would exert on said competition.

6. The Fair Trade Commission shall give the necessary opinions to the competent minister concerning the enterprise cooperation plan to which the notification stipulated under the preceding section pertains.

7. When the Fair Trade Commission considers that there is an actual violation of the provisions of the Law Concerning the Prohibition of Private Monopolies and the Ensuring of Fair Trade in regard to action taken in accordance with an enterprise cooperation plan on which it has expressed its opinion under the provisions of the preceding section and which has been approved by the competent minister under article 8 part 2 section 1, it shall notify the competent minister of that fact.

8. When the competent minister has received notification under the provisions of the preceding section, he may express his opinion to the Fair Trade Commission regarding matters stipulated in section 5 in accordance with changes in economic conditions subsequent to said approval.

9. In the event that the competent minister receives notification under the provisions of section 7, when the enterprise cooperation plan dealt with in said notification falls under the provisions of article 8 part 3 section 2, he shall take the measures stipulated in that section in regard to said enterprise cooperation plan.

### Chapter III. Specified Industry Credit Fund

#### Segment 1. General Provisions

##### (Objective)

Article 13. The objective of the Specified Industry Credit Fund shall be to guarantee the liabilities involved in the borrowing of necessary funds and so on, expediting accommodation in regard to such funds, in order to promote the planned disposal of equipment in specified industries.

(Corporate status)

Article 14. The Specified Industry Credit Fund (Hereafter referred to as the "Fund") shall be a corporation.

(Number)

Article 15. Only one Fund shall be established.

(Capital)

Article 16. The capital of the Fund shall be the total of the amounts invested by the Japan Development Bank and others at the time of its establishment.

2. When necessary, the Fund may obtain the permission of the ministers of Finance and of International Trade and Industry and increase the amount of its capital.

(Prohibition of repayment of equity and so on)

Article 17. The Fund shall not pay back investors their equity.

2. The Fund may not acquire the equity of investors, or accept it as collateral for or in lieu of payment of debts [shichiken no mokuteki].

(Transfer of equity and so on)

Article 18. Investors other than the Japan Development Bank may transfer their equity.

2. A transfer of the equity of an investor other than the Japan Development Bank shall have no effect against the Fund or another third party unless the matters set forth under each number of Article 52 section 2 concerning the recipient of the transfer have been recorded in the original record of the investor.

(Name)

Article 19. The fund shall use the words literally characters "Specified Industry Credit Fund" in its name.

2. An entity which is not the Fund may not use the words "Specified Industry Credit Fund" in its name.

(Registration)

Article 20. The Fund shall register in accordance with the provisions of cabinet orders.

2. Unless the matters which are required to be registered under the provisions of the preceding section have already been registered, they cannot have effect on a third party.

(Application of the civil code)

Article 21. The provisions of Civil Code (law number 89 of 1896) article 44 (capacity for illegal activities on the part of corporations) and article 50 (corporate address) apply to the Fund.

## Segment 2. Establishment

### (Sponsors)

Article 22. In order to establish the Fund, it is necessary for 15 or more persons possessing learning and experience in industry or finance to act as sponsors.

2. The sponsors shall draw up articles of incorporation and an enterprise plan, and shall solicit investments in the Fund from entities other than the Japan Development Bank.

3. The matters to be recorded in the enterprise plan [mentioned] in the preceding section shall be determined by ordinances of the Ministry of Finance and the Ministry of International Trade and Industry.

### (Permission for establishment and so on)

Article 23. When the solicitation provided for in section 2 of the preceding article has been completed, the sponsors shall submit the articles of incorporation and enterprise plan to the ministers of finance and international trade and industry and apply for permission to establish [the Fund].

Article 24. When the Ministers of Finance and International Trade and Industry are about to give permission for establishment [of the Fund], they shall first check to see whether or not the application for permission under the provisions of the preceding article conforms to [the provisions in] each of the following numbers:

1) The procedure for establishment, as well as the content of the articles of incorporation and the enterprise plan shall conform to laws and ordinances.

2) There shall be no false information in the articles of incorporation or the enterprise plan.

3) It shall be judged as certain that the operation of the enterprise is sound and that it contributes to the promotion of planned disposal of equipment in a manufacturing industry.

2. When the Ministers of Finance and International Trade and Industry have given their permission under the provisions of the preceding section, they shall, without delay, designate persons from among those recommended by the sponsors to be the Fund's board chairman and auditor.

3. The persons designated to become the board chairman and auditor(s) under the provisions of the preceding section shall be appointed to the positions of board chairman and auditor respectively under the provisions of article 30 section 1 at the time of establishment of the Fund.

### (Succession of business)

Article 25. When the person who is to be chairman of the board has been designated under the provisions of section 2 of the preceding article, the business of the sponsors shall be succeeded to without delay by the person who is to be chairman of the board.

2. When the person who is to be chairman of the board has accepted succession to the business under the provisions of the preceding section, he shall, without delay, request the Japan Development Bank and those other than the Japan Development Bank who responded to the solicitation of investments to pay in [their] investments.

(Registration of establishment)

26. When investments have been paid in under the provisions of section 2 of the preceding article, the person who is to be chairman of the board shall, without delay, register the establishment [of the Fund] in accordance with laws and ordinances.

2. The Fund shall come into existence upon registry of its establishment.

### Segment 3. Management

(Matters to be included in the articles of incorporation)

Article 27. The articles of incorporation shall include the following:

- 1) Objective
- 2) Name [of the Fund]
- 3) Office location
- 4) Matters concerning capitalization, investments, and assets
- 5) Matters concerning officers
- 6) Matters concerning the board of trustees
- 7) Matters concerning business and its performance
- 8) Matters concerning financial affairs and accounts
- 9) Matters concerning changes in the articles of incorporation
- 10) The method of public announcement

2. Changes in the articles of incorporation shall not take effect unless authorized by the Ministers of Finance and International Trade and Industry.

(Officers)

Article 28. The Fund shall have as officers one (1) board chairman, three (3) or fewer directors, and two (2) or fewer auditors.

(Rights and duties of officers)

Article 29. The board chairman shall represent the Fund and shall preside over the business thereof.

2. The directors shall, in accordance with the provisions of the articles of incorporation, assist the board chairman in the conduct of the Fund's business, conduct this business in place of the board chairman when he is unable to do so due to unavoidable circumstances, and carry out the duties of the board chairman when that position is vacant.

3. The auditor(s) shall audit the business of the Fund.

(Appointment of officers)

Article 30. The board chairman and the auditor(s) shall be appointed by the Ministers of Finance and International Trade and Industry.

2. The directors shall be appointed by the board chairman with the approval of the ministers of finance and international trade and industry.

(Tenure of officers)

Article 31. The tenure of officers shall be three (3) years. However, the tenure of officers who are appointed to fill a vacancy in mid term shall be the remainder of the term of the previous holder of the office.

2. Officers may be reappointed.

(Ineligibility for office)

Article 32. Officials of the government or of local public bodies (excluding those who serve part-time) may not become officers [of the Fund].

(Removal of officers from office)

[Here the text reverses the order of the material on page 401 and 402. The correct order has been restored in the translation]

Article 33. When an officer who has been appointed by the Ministers of Finance and International Trade and Industry or the board chairman has become ineligible for office under the provisions of the preceding article, the Ministers of Finance and International Trade and Industry or the board chairman shall remove him from office.

2. When an officer appointed by the ministers of finance and international trade and industry or the board chairman comes under number 1) of the following items, and when he is considered for other reasons to be unsuitable to be an officer, the officer may be removed from office by the Ministers of Finance and International Trade and Industry of the board chairman:

- 1) When he has been judged unequal to the performance of his duties due to physical or mental disability.
- 2) When there is a violation of his official duties.

3. The board chairman shall obtain the authorization of the Ministers of Finance and International Trade and Industry prior to removing a director from office under the provisions of the preceding section.

(Prohibition against holding of concurrent office by officers)

Article 34. Officers shall not take office in for-profit organizations, nor shall they engage in profitable enterprises of their own. However, this restriction does not apply when they have obtained the approval of the Ministers of Finance and International Trade and Industry.

Article 35. The board chairman shall not have the power to represent the Fund concerning matters in which there is a conflict of interest between himself and the Fund. In such cases the Fund will be represented by the auditor(s).

(Board of Trustees)

Article 36. A board of trustees shall be established for the Fund as an organ to deliberate on important matters concerning the Fund's operation.

2. Regardless of the provisions of other laws, the Japan Development Bank and other financial institutions may accept the commission under the provisions of the preceding section and carry out said business.

3. In regard to the application of the criminal code and other penal codes, officers or staff of financial institutions which are commissioned for business under the provisions of section 1 shall be considered to be engaged in official duties according to law.

(Prospectus of business methods) [gyomuohosho]

Article 41. Before commencing business, the Fund shall draw up a prospectus of business methods and obtain the authorization of the Ministers of Finance and International Trade and Industry. This shall also be the case when the Fund seeks to change the prospectus.

2. The prospectus set forth in the preceding section must establish for future reference the methods of the business in article 39 section 1 number 1) and other matters established under ordinances of the Ministries of Finance and International Trade and Industry.

#### Segment 5. Financial affairs and accounting

(Enterprise fiscal year)

Article 42. The Fund's enterprise fiscal year shall begin on 1 April of each year and end on 31 March of the following year.

(Authorization of budget and so on)

Article 43. Each enterprise fiscal year, the Fund shall draw up a budget, an enterprise plan and a finance plan [shikin keikaku] and obtain their authorization by the Ministers of Finance and International Trade and Industry prior to the beginning of the enterprise fiscal year to which they pertain. This shall also be the case when the Fund seeks to change these documents.

(Financial statements)

Article 44. Each enterprise fiscal year, the Fund shall draw up an inventory of property, a balance sheet, and a statement of profit and loss (Hereafter referred to as "financial statements") and submit them to the Ministers of Finance and International Trade and Industry within three (3) months following the end of the enterprise fiscal year to which they pertain, and obtain their approval.

2. When submitting financial statements to the Ministers of Finance and International Trade and Industry under the provisions of the preceding section, the Fund shall append a statement of accounts drawn up according to the divisions of the enterprise report and budget for the enterprise fiscal year to which it pertains, as well as a written statement of opinion by the auditor(s) regarding the financial statements and statement of accounts.

2. The board of trustees shall consist of no more than twenty (20) trustees.

3. The trustees shall be appointed by the board chairman from among persons possessing learning and experience in industry or finance with the approval of the Ministers of Finance and International Trade and Industry.

(Appointment of staff)

Article 37. The staff of the Fund shall be appointed by the board chairman.

(Nature of staff as public employees)

Article 38. In regard to the application of criminal code (law number 45 of 1897) and other penal regulations, the officers and staff of the Fund are considered to be staff engaged in official duties according to law.

#### Segment 4. Business

(Business)

Article 39. The Fund shall carry on the following business in order to achieve the objectives set forth in Article 13.

- 1) The guaranteeing of liabilities pertaining to the borrowing of funds required for the planned disposal of equipment in specified industries and required in connection with said disposal of equipment.
- 2) Business incidental to the business [set forth in] the preceding number.

2. The guaranteeing of liabilities [set forth in] number 1) of the preceding section shall be done in regard to borrowing of funds required for disposal of equipment which entrepreneurs engaged in specified industries carry out in accordance with a basic plan for structural reform and funds required in connection with said disposal of equipment, as well as funds required as compensation to be paid to the entrepreneurs who carry out said disposal of equipment (Including, in the event that there are those who undertake to contribute a share of said funds, the money required to cover the contribution of said funds).

3. The Fund shall allot to funds for the business [set forth in] section 1 number 1) an amount of money (according to ordinances of the ministries of finance and international trade and industry, an amount increased or decreased based on the amount of profit or loss when profit or loss appears in the calculation of profit and loss each enterprise fiscal year) equal to the total of the amount invested under the provisions of article 16 section 1, the amount invested in the event that the authorization [set forth in] section 2 of the same article is obtained, and the amount contributed by entities other than the Japan Development Bank on condition that it be allotted to the payment of guaranteed liabilities which the Fund had undertaken to bear.

(Commission of business)

Article 40. The Fund may commission part of its business (Other than decisions on the guaranteeing of liabilities.) to the Japan Development Bank or other financial institutions on the authorization of the Ministers of Finance and International Trade and Industry.

(Forwarding of documents)

Article 45. When the Fund has obtained the authorization or approval stipulated in article 43 or in section 1 of the preceding article, it shall forward to investors documents or financial statements regarding the budget enterprise plan, and financial plan to which said authorization or approval pertains.

(Borrowing money)

Article 46. The Fund may obtain the authorization of the Ministers of Finance and International Trade and Industry and take out short-term loans.

2. The short-term loans provided for under the preceding section must be redeemed within the enterprise fiscal year to which they pertain. However, when it is impossible to redeem the loans due to a shortage in the Fund, it shall be possible to obtain the authorization of the Ministers of Finance and International Trade and Industry and reborrow just the amount which the Fund cannot redeem.

3. A short-term loan reborrowed under the provisions of the provisory clause of the preceding section shall be redeemed within one (1) year.

(Use of surplus cash)

Article 47. The fund shall not use business surplus cash except in the following ways:

- 1) Holding of government debentures and other securities designated by the Ministers of Finance and International Trade and Industry
- 2) Depositing money in the Trust Fund Bureau
- 3) Depositing money in financial institutions which make the loans mentioned in article 39 section 1 number 1 (Limited to those designated by the Ministers of Finance and International Trade and Industry) and which make said loans under conditions stipulated by the Ministers of Finance and International Trade and Industry in accordance with a contract with the Fund
- 4) In addition to those mentioned in the preceding number, deposits and postal savings deposits in banks and other financial institutions designated by the Ministers of Finance and International Trade and Industry
- 5) Money trusts at trust companies or at banks which conduct trust business

(Standards for payment of salaries and retirement allowances)

Article 48. The Fund shall obtain the approval of the Ministers of Finance and International Trade and Industry when seeking to establish standards for the payment of salaries and retirement allowances to officers and staff. The same is true when it seeks to change them.

(Delegation to ministerial ordinances)

Article 49. Matters, other than those stipulated in this law, which are necessary in regard to the financial affairs and accounts of the Fund shall be established by ordinance of the Ministries of Finance and International Trade and Industry.

## Segment 6. Supervision

### (Supervision)

Article 50. The Fund shall be supervised by the Ministers of Finance and International Trade and Industry.

2. When they consider it necessary, the Ministers of Finance and International Trade and Industry may give to the Fund such orders as are required, from a supervision standpoint, in regard to its business.

### (Reports and inspection)

Article 51. When the Minister of Finance or the Minister of International Trade and Industry consider it necessary in order to administer this law, he may require the Fund to make reports concerning the state of its business or property, or have their staff enter the offices of the Fund to inspect the state of its business or property, or entry books, documents, and other articles.

2. When the Minister of Finance or the Minister of International Trade and Industry Considers it necessary in order to administer this law, he may require an entity which has received a commission from the Fund to do its business (Hereafter referred to as "commission recipient.") to make reports concerning the business for which it received a commission, or have their staff enter the offices of the commission recipient to inspect the state of business, or entry books, documents, and other articles related to the business for which it received a commission.

3. Staff who make on-site inspections under the provisions of the preceding two sections shall carry identification papers and show them to interested parties.

4. The powers of on-site inspection under provisions of section 1 or section 2 shall not be interpreted as recognized for the purpose of criminal investigation.

## Segment 7. Supplementary provisions

### (Investor ledger)

Article 52. The Fund shall prepare an investor ledger.

2. [The Fund] shall enter in the investor ledger the following matters concerning each investor:

- 1) Name [of person or company] and address
- 2) Dates of the undertaking of investment and of the investment payment or the investor's receipt of transfer of equity
- 3) amount of investment or amount of equity transferred to the investor

3. Investors may request to inspect the investor ledger.

(Dissolution)

Article 53. In the event that the Fund is dissolved and property remains after the payment of its liabilities, the property shall be distributed among its investors in accordance with the amount of their investments.

2. The amount of money to be distributed to each investor under the provisions of the preceding section shall be no greater than the amount of that investor's investment.
3. When there is still residual property following the distribution under the provisions of section 1, such property shall revert to the national treasury.
4. In addition to the provisions of the preceding three sections, there shall be other provisions in law regarding dissolution of the Fund.

(Consultation with competent ministers)

Article 54. The Ministers of Finance and International Trade and Industry shall consult with the competent minister (Excluding the Ministers of Finance and International Trade and Industry.) in the following cases:

- 1) When giving authorization under article 41, section 1.
- 2) When giving authorization under article 43.

Chapter IV Miscellaneous provisions

(Collection of reports)

Article 55. Competent ministers may require entrepreneurs engaged in specified industries to make reports concerning the state of their business or accounting under the provisions of laws and ordinances to the extent necessary for enforcement of the provisions of Chapters 1 and 2.

2. The amount of money to be distributed to each investor under the provisions of the preceding section shall be no greater than the amount of that investor's investment.
3. When there is still residual property following the distribution under the provisions of section 1, such property shall revert to the national treasury.
4. In addition to the provisions of the preceding three sections, there shall be other provisions in law regarding dissolution of the Fund.

(Consultation with competent ministers)

Article 54. The Ministers of Finance and International Trade and Industry shall consult with the competent minister (Excluding the Ministers of Finance and International Trade and Industry.) in the following cases:

- 1) When giving authorization under article 41, section 1.
- 2) When giving authorization under article 43.

## Chapter IV Miscellaneous Provisions

### (Collection of reports)

Article 55. Competent ministers may require entrepreneurs engaged in specified industries to make reports concerning the state of their business or accounting under the provisions of laws and ordinances to the extent necessary for enforcement of the provisions of chapters 1 and 2.

### (Submission of views of governors of metropolitan districts, Hokkaido, and the prefectures)

Article 56. Governors of metropolitan districts, Hokkaido, and the prefectures may submit their views to the competent minister when they consider that the disposal of equipment, enterprise cooperation, or other measures carried out in accordance with a basic plan for structural reform is exerting, or threatens to exert, a markedly bad influence on the regional economy of said metropolitan district, Hokkaido, or prefecture.

### (Liaison and cooperation)

Article 57. In the enforcement of the provisions of Chapter 2, the competent minister and the minister of labor shall maintain close liaison with each other and shall cooperate with each other in regard to matters related to the employment of workers involved in specified industries.

### (Competent minister)

Article 58. For the purposes of this law, the competent minister is taken to be the minister who has jurisdiction over the relevant specified industry. However, the competent minister under the provisions of article 2 sections 2 through 4 is taken to be the minister who has jurisdiction over the relevant manufacturing industry.

2. For the purposes of this law, ordinances of the competent ministry are taken to be orders issued by the competent minister.

## Chapter V Penalties

Article 59. In cases which come under either of the following numbers the officers or staff of the Fund or commission recipients which committed the violation shall be sentenced to a fine of 100,000 yen or less.

1) When they fail to make the report stipulated in article 51 section 1, or make a false report, or resist, impede, or evade the inspection stipulated in the same section.

2) When they fail to make the report stipulated in article 51 section 2, or resist, impede, or evade the inspection stipulated in the same section.

Article 60. Persons who fail to make the report stipulated in article 55, or make a false report, shall be sentenced to a fine of 100,000 yen or less.

Article 61. Persons who fail to make the report stipulated in article 8, or make a false report, shall be sentenced to a fine of 100,000 yen or less.

Article 62. When the representative of a corporation, or the agent, servant, or other employee of a corporation or person commits a violation of the preceding two articles in connection with the business of such corporation or person, in addition to punishing the perpetrator, each penalty of this article shall be imposed on that corporation or person.

Article 63. In cases which come under one of the following numbers, a correctional fine of not more than 100,000 yen shall be levied on the officers of the Fund who committed the violation.

- 1) When, in cases in which, under the provisions of article 3, they must obtain the authorization or approval of the Ministers of Finance and International Trade and Industry, they did not obtain such authorization or approval.
- 2). When they violated the provisions of article 20 section 1 by neglecting to register.
- 3) When they carried out business other than that stipulated in article 39 section 1.
- 4) When they used surplus business cash in violation of the provisions of article 47.
- 5) When they violated orders of the Ministers of Finance and International Trade and Industry which accorded with the provisions of article 50 section 2.

Article 64. Persons who violate the provisions of article 19 section 2 shall be sentenced to a correctional fine of not more than 50,000 yen.

Bylaws (Extracts) [so]

(Date of effectiveness)

Article 1. This law shall come into effect on the day of promulgation.

(Repeal of this law)

Article 2. This law shall be repealed by 30 June 1988.

(Transitional measures) [keiai sochi]

Article 3. The provisions of article 19 section 2 shall not be applied for a period of six (6) months after this law takes effect to entities which are actually using the words "specified industry credit fund" in their names at the time that this law takes effect.

Article 4. Regardless of the provisions of article 42, the initial year of the Fund shall begin on the date of establishment and end on 31 March of the following year.

Article 5. In regard to the budget, enterprise plan, and finance plan [shkin keikaku] for the Fund's initial year, the passage in Article 43, "prior to the beginning of the enterprise fiscal year to which they pertain", shall be taken to be "promptly following the establishment of the Fund."

(Investment in the Fund by the Japan Development Bank)

Article 6. The provisions of article 19 section 1 of the Japan Development Bank Law (law number 108 of 1951) notwithstanding, the Japan

Development Bank may obtain the permission of the Minister of Finance and invest in the Fund.

2. In regard to the application of article 19 part 2 section 2 and article 51 numbers 2) and 4) of the Japan Development Bank Law in cases in which the Japan Development Bank makes investments under the provisions of the preceding section, the passage "investment" in article 19 part 2 section 2 of that law shall be taken to be "investment, and investment carried out under the provisions of article 6 section 1 of the by-laws of the Law for Temporary Measures to Reform the Structure of Specified Industries" (Hereafter referred to as the "Structural Reform Law"), the passage "cases" in article 51 number 2) of the same law shall be taken to be "cases and cases in which the approval of the Minister of Finance must be obtained under the provisions of article 6 section 1 of the by-laws of the Structural Reform Law," and the passage "prescribed business" in number 4) of the same article shall be taken to be "prescribed business and investments under the provisions of article 6 section 1 of the bylaws of the Structural Reform Law."

#### Bylaws Revising a Portion of the Law on Temporary Measures to Stabilize Specified Depressed Industries (Excerpts)

##### (Date of effectiveness)

Article 1. This law shall take effect on the day of its promulgation.

##### (Transitional measures)

Article 2. Upon this law taking effect, in regard to the application of article 3 section 1 of the Law for Temporary Measures to Reform the Structure of Specified Industries in relation to entities (Hereafter referred to as "continuing specified industries.") which are specified industries stipulated in article 2 section 1 of the post-revision Law for Temporary Measures to Reform the Structure of Specified Industries (Hereafter referred to as the "New Law."), and are [also] specified depressed industries stipulated in article 2 section 1 of the pre-revision Law for Temporary Measures to Stabilize Specified Depressed Industries (Hereafter referred to as the "Old Law."), the passage "when there has been a designation according to the provisions of section 1 of the preceding article, to each specified industry, promptly" shall be taken to be "to each continuing specified industry within 90 days counting from the day on which the law revising a portion of the Law for Temporary measures to Stabilize Specified Depressed Industries takes effect."

2. Entities for which, under the provisions of article 3 section 1 of the New Law, which is applied with an altered reading under the provisions of the preceding section, there are established the basic plans for structural reform stipulated in the same section, and which are the basic plans for stabilization stipulated in article 3 section 1 pertaining to the continuing specified industries which, until announced under the provisions of section 7 of the same article, are announced under the provisions of article 3 section 7 of the Old Law (Including cases where it is applied under section 9 of the same article.) at the time of taking effect, and which have

effect concerning matters set forth in section 2 numbers 1) or 2) of the same article at the time that this law takes effect, shall be considered to be the basic plans for structural reform which are stipulated in article 3 section 1 of the New Law relating to said continuing specified industries.

3. Dispositions, procedures, and other actions which are carried out under the provisions of the Old Law prior to this law taking effect, and which pertain to cooperative action implemented when this law takes effect, shall, until 30 June 1983, be considered to have been carried out under the corresponding provisions of the New Law.

Article 3. Specified depressed industries which are stipulated in article 2 section 1 of the Old Law at the time that this law takes effect, and which are not continuing specified industries, shall, until 30 June 1983, continue to be governed by existing precedent.

Article 4. For a period of six (6) months following the coming into effect of this law, the provisions of article 19 section 2 of the New Law shall not apply to entities which are using the words "specified industry credit fund" in their names when this law comes into effect.

Article 5. The application of penalties to actions taken before this law takes effect, and to actions taken after this law takes effect in the event that they are taken to be governed by existing precedent in accordance with the provisions of article 3 of the by-laws, shall be governed by existing precedent.

(2) Regulations Relative to the Enforcement of the Law for Temporary Measures to Reform the Structure of Specified Industries

(Specified industries)

Article 1. The specified industries [mentioned] in article 2 section 1 of the Law for Temporary Measures to Reform the Structure of Specified Industries (Hereafter referred to as the "Law.") shall be those listed in the left hand column of the attached table. literally "upper column"

Article 2. The varieties of equipment described in article 3 section 3 of the Law as established by government ordinance shall be those listed in the right hand [literally "lower"] column of the attached table for each specified industry listed in the left hand column.

(Collection of reports)

Article 3. The matters regarding which the competent minister may require reports under the provisions of article 55 of the Law shall be the following:

1) The state of the equipment which manufactures the commodity which is the objective of the specified industry in which the entrepreneur is engaged, as well as plans related to disposition, new creation, increase, or remodeling of said equipment.

- 2) Production volume or production costs of the commodity which is the objective of the specified industry in which the entrepreneur is engaged.
- 3) The state of implementation of enterprise cooperation pertaining to the specified industry in which the entrepreneur is engaged
- 4) The state of implementation of investments in plant and equipment pertaining to the specified industry in which the entrepreneur is engaged and which contribute to the curtailment or conversion of consumption of raw materials or energy, or to other reduction in the use of raw materials or energy, or which is designed to enhance the performance or quality of manufactured products
- 5) Results of development of new products or new technology pertaining to the specified industry in which the entrepreneur is engaged
- 6) Matters related to financial affairs and accounts

Attached Table (Related to articles 1 and 2)

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1. The manufacture of ordinary steel semi-finished products using electric furnaces: steel ingots and structural steel	Electric furnaces
2. The aluminum smelting industry (Excluding the smelting of high grade aluminum.)	Electric furnaces
3. The manufacture of long nylon fibers	Spinning machines
4. The manufacture of short polyacrylnitrile fibers	Spinning machines
5. The manufacture of long polyester fibers	Spinning machines
6. The manufacture of short polyester fibers	Spinning machines
7. The manufacture of short viscose fibers	Spinning machines and refining equipment
8. The manufacture of ammonia (Excluding industries in which, for technical reasons, ammonia is produced as a by-product during the manufacturing process of a commodity other than ammonia)	Equipment for the manufacturing, refining, and synthesis of raw material gas

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Table Continued

9. The manufacture of urea	Synthesizing equipment, separation equipment, and granulating equipment
10. The manufacture of phosphoric acid by the wet method	Reaction equipment and filtration equipment
11. The manufacture of fused phosphorous fertilizers	Electric furnaces or open-hearth furnaces
12. The manufacture of chemical fertilizers	Reaction, granulating, and drying equipment
13. The manufacture of ferrosilicon	Electric furnaces
14. The manufacture of Western paper (Excluding the manufacture of newsprint.)	Paper-making machines
15. The manufacture of corrugated cardboard stencils	Paper-making machines
16. The manufacture of ethylene (Referring to industries which manufacture ethylene by the cracking or other chemical processing of the hydrocarbons (including hydrocarbons produced in the manufacturing process as a by-product.) contained in petroleum, petroleum by-product gas, or natural gas.)	Cracking equipment
17. The manufacture of polyolefin (Limited to industries which manufacture synthetic resins, using as the principal raw material an olefin one molecule of which contains no more than three carbon atoms.)	In a manufacturing method which polymerizes olefin at a state of less than 500 atmospheres: polymerization equipment and granulating equipment; in a manufacturing method which polymerizes olefin at a state of 500 or more atmospheres: compression equipment (Limited to equipment with discharge pressure of 500 or more atmospheres.)

18. The manufacture of vinyl chloride resin	Polymerization equipment
19. The manufacture of ethylene oxide	Oxidation equipment (Including equipment that causes ethylene oxide to be absorbed by water.)
20. The manufacture of hard vinyl choloride tubing	Extruders
21. The manufacture of sugar (Excluding those which, themselves, make most of the sugar they use as raw material, as well as those which manufacture rock candy, cube sugar, and molasses.)	Separation equipment (Limited to equipment that separates washed raw sugar and equipment that separates refined sugar.) and crystallization equipment.

**(3) Cabinet order Establishing the Industry Types for Article 2 Section 1 Number 8 of the Law for Temporary Measures to Reform the Structure of Specified Industries**

The industry types established by cabinet order for article 2 section 1 number 8 of the Law for Temporary Measures to Reform the Structure of Specified Industries shall be the manufacture of hard vinyl chloride tubing and the manufacture of sugar (excluding those which, themselves, manufacture most of the raw sugar that they use as raw material, as well as those which manufacture rock candy, cube sugar, and molases.)

**Bylaws**

This cabinet order takes effect on the day of promulgation.

**(4) Regulations Relative to the Enforcement of the Law for Temporary Measures to Reform the Structure of Specified Industries**

**(Wording)**

Article 1. The wording employed in this ministerial ordinance is based upon the wording employed in the Law for Temporary Measures to Reform the Structure of Specified Industries (Hereafter referred to as the "Law.")

**(Application for designation as a specified industry)**

Article 2. A Person who seeks to apply under the provisions of article 2 section 2 of the Law, (Hereafter referred to as the "applicant.") shall submit to the competent minister one (1) [original of a] written application made out according to format 1 and one (1) copy of said application.

2. The application, and its copy, [referred to in] the preceding section must be accompanied by the documents listed below:

- 1) Articles of incorporation and other documents which prove that the applicant is engaged in the manufacturing industry for which designation [as a specified industry] is being applied.
- 2) Documents containing the quantity of the commodity, that is the objective of the manufacturing industry to which the applicant's application for designation pertains, which was produced and that which was shipped during the periods listed below:
  - a) In the event that the manufacturing industry to which the application for designation pertains belongs to an industry [covered by] article 2 numbers 1) to 7) of the Law: a period of one (1) year counting from the month which includes the day which falls one (1) year and two (2) months before the taking effect of the Law which Revises one portion of the Law for Temporary Measures to Stabilize Specified Depressed Industries (Law number 53 of 1983)
  - b) In the event that the manufacturing industry to which the application for designation pertains belongs to an industry type [covered by] article 2 number 8) of the Law: a period of one (1) year counting from the month which includes the day which falls one (1) year and two (2) months before the taking effect of the cabinet order establishing said industry type

(Notification regarding announcement of instructions on cooperative action)  
Article 3. In the event that the competent minister has issued instructions under the provisions of article 5 section 1 of the Law, he shall, when there is particular need to ensure the certain implementation of the cooperative action to which the instructions pertain, notify the entrepreneurs engaged in the special industry to the effect that he has carried out the instructions stipulated in that section in accordance with the provisions of section 2 of the same article.

(Matters to be reported on cooperative action)

Article 4. The matters established by ordinance of the competent ministry under article 8 of the Law shall be the matters listed respectively for the cases under each of the following numbers:

- 1) In the event that cooperative action has been taken:
  - a) The name [of persons or companies] and address of the entities which took cooperative action, and, in the case of a corporation, the name of the representative
  - b) The name [of person or company] of the entity which has overall responsibility for carrying out the cooperative action, the location of his office, and, in the case of a corporation, the name of the representative
  - c) The date on which the cooperative action took effect
  - d) The period during which the cooperative action is to be implemented
  - e) The content of the cooperative action
- 2) In the event that cooperative action has been changed:
  - a) The content of the change
  - b) The reason for the change
  - c) The date on which the change took effect
- 3) In the event that cooperative action has been discontinued:
  - a) The date on which it was discontinued
  - b) The reason for which it was discontinued

(Applications for approval of enterprise cooperation plans)

Article 5. Persons who seek to apply to a competent minister for approval of an enterprise cooperation plan under the provisions of article 8 part 2 section 1 of the Law shall submit to the competent minister one (1) [original of a] written application for approval of an enterprise cooperation plan, following format 2, and two (2) copies of same.

2. The written application and its copies [mentioned] in the preceding section must each be accompanied by the documents listed below:

- 1) A copy of the enterprise cooperation plan
- 2) Documents giving the matters listed below:
  - a) The reason(s) for seeking to implement enterprise cooperation
  - b) The structural reform effect anticipated from the implementation of the enterprise cooperation
  - c) An exposition of the fact that there is no danger that the interests of general consumers and of associated entrepreneurs will be unjustly harmed
  - d) An exposition of the fact that there is no danger that the position of employees of the cooperating entrepreneurs will be unjustly harmed
  - e) Enterprise cooperation which each of the cooperating entrepreneurs is already implementing in relation to enterprises involved in said specified industry.

(Matters to be given in enterprise cooperation plans)

Article 6. The matters established by ordinance of the competent ministry under article 8 part 2 section 2 number 6) of the Law shall be the matters listed below:

- 1) Matters concerning investment required in connection with the enterprise cooperation
- 2) Matters concerning acquisition of real estate required in connection with the enterprise cooperation

(Application for approval of changes in enterprise cooperation plans)

Article 7. Persons who seek to apply to a competent minister for approval to change an enterprise cooperation plan under the provisions of article 8 part 3 section 1 of the Law shall submit to the competent minister on (1) [original] written application for approval to change an enterprise cooperation plan, following format 3, and two (2) copies of same.

2. The written application and its copies [mentioned] in the preceding section must each be accompanied by the documents listed below:

- 1) A document giving the places regarding which changes are being sought
- 2) A document giving the reason for the changes
- 3) A document giving an exposition of the fact that the enterprise cooperation plan following the change will be in conformance with each number of article 8 part 2 section 3

Bylaws

1. This ministerial ordinance shall take effect on the day of its promulgation.

2. A portion of the Regulations on the Organization of the Ministry of International Trade and Industry [tsushosayosho soshikikitei] (MITI regulation number 73 of 1952) shall be revised as follows:

In article 5 part 9 section 2, the passage "Law for Temporary Measures to Stabilize Specified Depressed Industries" shall be changed to "Law for Temporary Measures to Reform the Structure of Specified Industries."

A. A portion of the ministerial ordinance concerning the exemption of aluminum ingots from tax [or from duty] (MITI ordinance number 6 of 1982) shall be revised as follows:

In article 1 section 1, the passage "Law for Temporary Measures to Stabilize Specified Depressed Industries" shall be changed to "the Law for Temporary Measures to Stabilize Specified Depressed Industries prior to revisions under the Law to Revise a Portion of the Law for Temporary Measures to Stabilize Specified Depressed Industries (law number 53 of 1983)."

In the table of format 1 part 1, the passage "Law for Temporary Measures to Stabilize Specified Depressed Industries" shall be changed to "the Law for Temporary Measures to Stabilize Specified Depressed Industries prior to revisions under the Law to Revise a Portion of the Law for Temporary Measures to Stabilize Specified Depressed Industries (law number 53 of 1983.)"

Format 1 (Related to article 2)

Application for Designation as a Specified Industry

Date:

To the Competent Minister:

Address: [of applicant]

Name: (name of company and representative) S  
[S] = position of signature seal

Application is made for designation of the [industry] given below as a specified industry under the provisions of article 2 section 2 of the Law for Temporary Measures to Reform the Structure of Specified Industries:

Particulars:

1. The name of the manufacturing industry which should be designated as a specified industry
2. The name of the industry-type to which the manufacturing industry given in 1 belongs, and which is given in the cabinet order established based on article 2 section 1 numbers 1) through 7) of the Law for Temporary Measures to Reform the Structure of Specified Industries, or on number 8) of the same section

(Notes)

1. The paper size shall be Japan Industrial Standards B4 [364 x 257 mm].
2. This format shall remain the same in the event that application is made under joint signatures.

Format 2 (Related to article 5)

Application for Approval of an Enterprise Cooperation Plan

Date:

To the competent minister:

Address: [of applicant]

Name: (name of company and representative) S  
[S] = signature seal

Address:

Name: (name of company and representative) S

Representative of the above:

Address:

Name: (name of company and representative) S

Wishing to obtain approval for an enterprise cooperation plan under the provisions of article 2 part 2 section 1 of the Law for Temporary Measures to Reform the Structure of Specified Industries, we apply [for such approval], attaching the documents listed below:

Particulars:

1. A copy of the enterprise cooperation plan
2. Documents giving the following matters:
  - a) The reason for seeking to implement the enterprise cooperation
  - c) An exposition of the fact that there is no danger that the interests of general consumers or of associated entrepreneurs will be unjustly harmed
  - d) An exposition of the fact that the position of employees of the cooperating entrepreneurs will not be unjustly harmed
  - e) Enterprise cooperation which each of the cooperating entrepreneurs is already implementing in relation to enterprises involved in said specified industry

(Notes)

The paper size shall be Japan Industrial Standards B4 [364 x 257 mm].

Format 3 (related to article 7)

Application for Approval to Change an Enterprise Cooperation Plan

Date:

To the competent minister:

Address: [of applicant]

Name: (name of company and representative) S

Address:

Name: (name of company and representative) S

Representative of above:

Address:

Name: (name of company and representative) S

Wishing to obtain approval to change an enterprise cooperation plan under the provisions of article 3 section 1 of the Law for Temporary Measures to Reform the Structure of Specified Industries, we apply [for such approval], attaching the documents listed below:

**Particulars:**

1. A document giving the places in which changes are sought
2. A document giving the reasons for the changes
3. A document giving an exposition of the fact that the enterprise cooperation plan subsequent to the changes will be in conformity with article 8 part 2 of the Law

**(Notes)**

The paper size shall be Japan Industrial Standards B4. [364 x 257 mm]

**(5) Ministerial Ordinance to Establish a Method for Computing the Production Capacity of Equipment which is to be Disposed of in Connection with Specified Industries Related to the Ministry of International Trade and Industry**

(Electric furnaces involved in the manufacture of semi-finished products of ordinary steel: structural steel and steel ingots used in rolling)  
Article 1. The method of computing the production capacity of electric furnaces involved in the manufacture of semi-finished products of ordinary steel which use electric furnaces: structural steel and steel ingots used in rolling, shall be the following formula.

$$Q = 8.05 \times 10^{-3} \times i \times E \times D$$

Q is annual production capacity (The unit shall be ton per year.)

i is electric current capacity (This refers to the strength of electric current when the (basic unit [Igen tn'1]) of electric power consumed in smelting aluminum in an electrolytic furnace is set at its lowest; the unit shall be the kiloampere.)

E is current efficiency (taken to be 0.885.)

D is the numerical value obtained by multiplying maximum annual operating days (taken to be 365 days.) by 0.986

**(Spinning machines)**

Article 3. The method for computing the production capacity of spinning machines involved in the manufacture of nylon long fibers shall be the following formula:

$$Q = 1.430 \times 10^{-3} \times F \times S \times D$$

Q is annual production capacity (The unit is the ton per year. The same is true throughout this article.)

F is discharge volume of the gear pump for each spindle (The unit is cubic centimeters per minute. The same is true throughout this article.)

S is the number of spindles (Taken to be the number of gear pumps.

However, in the event that two or more gear pumps are directly connected by a single metallic cap it is taken to be the number of caps. The same is true below in this article.)

D is the numerical value obtained by multiplying maximum annual operating days (taken to be 365 days.) by 0.91

2. The method for computing the production capacity of spinning machines involved in the manufacture of polyacrylnitrile short fibers shall be the following formula:

$$Q = 0.285 \times 10^{-3} \times F \times S \times D$$

D is the numerical value obtained by multiplying maximum annual operating days (taken to be 365 days.) by 0.89

3. The method for computing the production capacity of spinning machines involved in the manufacture of polyester long fibers shall be the following formula:

$$Q = 1.621 \times 10^{-3} \times F \times S \times D$$

D is the numerical value obtained by multiplying maximum annual operating days (taken to be 365 days.) by 0.90

4. The method for computing the production capacity of spinning machines involved in the manufacture of polyester short fibers shall be the following formula:

$$Q = 1.655 \times 10^{-3} \times F \times S \times D$$

D is the numerical value obtained by multiplying maximum annual operating days (taken to be 365 days.) by 0.91

(Manufacturing equipment for viscose short fibers)

Article 4. The method for computing the production capacity of spinning machines and scouring machines involved in the manufacture of viscose short fibers (Hereafter referred to as "viscose short-fiber manufacturing equipment.") shall be the following formula:

$$Q = q \times D$$

Q is annual production capacity (The unit shall be ton per year.)

q is the volume of viscose short fiber produced in 1 day (This shall be the greatest value actually recorded for volume of viscose short fibers produced per day for any month by said viscose short-fiber manufacturing equipment; the unit shall be ton per day.)

D is maximum annual operating days (taken to be 358 days.)

(Ammonia manufacturing equipment)

Article 5. The method for computing the production capacity for the raw material gas manufacturing equipment, raw material gas refining equipment, and synthesizing equipment (Hereafter referred to as "ammonia manufacturing equipment.") involved in the manufacture of ammonia (Excluding industries in which, for technical reasons, ammonia is produced as a by-product in the manufacturing process for a commodity other than ammonia.) shall be the following formula.

$$Q = q \times D$$

Q is annual production capacity (The unit shall be ton per year.)

q is the volume of ammonia produced in 1 day (This shall be the greatest value actually recorded for volume of ammonia produced per day for any month by said ammonia manufacturing equipment; the unit shall be ton per day.)

D is maximum annual operating days (This shall be 343 days if the volume of ammonia produced per day by said ammonia manufacturing equipment is less than 500 tons, 340 days if the volume is more than 500 tons but less than 800 tons, and 330 days if it is 800 tons or more.)

(Urea manufacturing equipment)

Article 6. The method for computing the production capacity of synthesizing equipment, separation equipment, and granulating equipment involved in the manufacture of urea shall be the following formula:

$$Q = q \times D$$

Q is annual production capacity (The unit shall be ton per year.)

q is the volume of urea produced in 1 day (This shall be the greatest value actually recorded for production of urea per day in any month by said area manufacturing equipment; the unit shall be ton per day.)

D is maximum annual operating days (This shall be the maximum annual operating days of the ammonia manufacturing equipment which supplies ammonia to said urea manufacturing equipment.)

(Phosphoric acid manufacturing equipment)

Article 7. The method for computing the production capacity of reaction equipment and filtration equipment involved in the manufacture of phosphoric acid by the wet method (Hereafter referred to as "phosphoric acid manufacturing equipment.") shall be the following formula:

$$Q = q \times D$$

Q is annual production capacity (The unit shall be conversion ton per year of phosphorous pentoxide [gosankarin ton mainen].)

q is the volume of phosphoric acid produced in 1 day (This shall be the greatest value actually recorded for the volume of phosphoric acid produced per day in any month by said phosphoric acid manufacturing equipment; the unit shall be conversion ton per day of phosphorous pentoxide [gosankrin henkan ton mainichi].)

D is maximum annual operating days (This shall be 335 days.)

(Electric furnaces and open-hearth furnaces)

Article 8. The method for computing the production capacity of electric furnaces involved in manufacture of phosphorous fertilizer by the fusion method shall be the following formula:

$$\frac{C \times H}{H}$$

Q is annual production capacity (The unit shall be ton per year.)

C is electric furnace capacity (This shall refer to the greatest electric power load which said electric furnaces can bear continuously for a period of 24 hours or longer; the unit shall be the kilowatt.)

U is the basic unit of electric power per ton of product (taken to be 880 kilowatt hours per ton.)

H is maximum annual operating hours (taken to be 4,175 hours.)

2. The method for computing the production capacity of open-hearth furnaces involved in the manufacture of phosphorous fertilizer by the fusion method shall be the following formula:

$$Q = q \times D$$

Q is annual production capacity (the unit shall be ton per year.)

q is the volume of fusion-manufacture phosphorous fertilizer produced in 1 day (this shall be the greatest value actually recorded for production of phosphorous fertilizer by the fusion method per day for any month by said open-hearth furnaces.)

D is maximum annual operating days (taken to be 323 days.)

(Chemical fertilizer manufacturing equipment)

Article 9. The method for computing the production capacity of reaction equipment, granulating equipment, and drying equipment involved in the manufacture of chemical fertilizers (Hereafter referred to as "chemical fertilizer manufacturing equipment.") shall be the following formula:

$$Q = q \times D$$

Q is annual production capacity (The unit shall be ton per year.)

q is the volume of chemical fertilizer produced in 1 day (This shall be the greatest value actually recorded for production of chemical fertilizer per day for any 10 day period by said chemical fertilizer manufacturing equipment; the unit shall be ton per day.)

D is annual maximum operating days (taken to be 335 days in the case of that equipment, among said chemical fertilizer manufacturing equipment, which exclusively manufactures phosphoric acid ammonium; taken to be 300 days in the case of other chemical fertilizer manufacturing equipment.)

(Electric furnaces involved in the manufacture of ferrosilicon)

Article 10. The method of computing the production capacity of electric furnaces involved in the manufacture of ferrosilicon shall be the following formula:

$$Q = \frac{C \times H}{U}$$

Q is annual production capacity (The unit shall be ton per year.)

C is electric furnace capacity (This refers to the greatest electric power load which said electric furnaces can bear continuously for a period of 24 hours or more; the unit shall be kilowatt hour.)

U is the basic unit of electric power per ton of product (taken to be 9,440 kilowatt hours per ton.)

H is maximum annual operating hours (taken to be 7,870 hours.)

(Paper-making machines)

Article 11. The method for computing the production capacity of paper making machines involved in the manufacture of western paper (Excluding the manufacture of newsprint) shall be the following formula:

$$Q = q \times D$$

Q is annual production capacity (The unit shall be ton per year.)

q is the production volume of western paper (Excluding newsprint. Hereafter the same.) for 1 day (This refers to the greatest value actually recorded for production of western paper per day for any month by said paper making machines; the unit shall be ton per day.)

D is maximum annual operating days (taken to be 348 days.)

2. The method for computing the production capacity of paper making machines involved in the manufacture of corrugated cardboard stencils shall be the following formula:

$$Q = q \times D$$

Q is annual production capacity (The unit shall be ton per year.)

q is the volume of corrugated cardboard stencils produced in 1 day. (This refers to the greatest value actually recorded for volume of corrugated cardboard stencils produced per day for any month by said paper making machines; the unit shall be ton per day.)

D is maximum annual operating days (taken to be 336 days.)

(Cracking equipment)

Article 12. The production capacity for cracking equipment involved in the manufacture of ethylene (This refers to industries which manufacture ethylene through the cracking or other chemical processing of hydrocarbons contained in petroleum, petroleum by-product gas, or natural gas. (Including hydrocarbons produced as by-products in that manufacturing process.)) shall be the following formula:

$$Q = q \times D$$

Q is annual production capacity (The unit shall be ton per year.)

q is the volume of ethylene produced in 1 day (This shall be the greatest value actually recorded for production of ethylene per day for any month by said cracking equipment; the unit shall be ton per day.)

D is maximum annual operating days (taken to be 324 days.)

(Polymerization equipment, granulating equipment, and compression equipment)

Article 13. The method for computing the production capacity of polymerization equipment, and granulating equipment (Limited to equipment involved in production methods which polymerize olefin and the like at a state of less than 500 atmospheres. The same is true hereafter in this article.) and compression equipment (Limited to equipment which is involved in production methods which polymerize olefin and the like at a state of 500 or more atmospheres, and which has a discharge pressure of 500 or more atmospheres. The same is true hereafter in this article.) involved in the manufacture of polyolefin (Limited to those industries which manufacture synthetic resins which use as their principal raw material olefin which has 3 or fewer carbon atoms for each molecule.) shall be the following formula:

$$Q = q \times D$$

Q is annual production capacity (The unit shall be ton per year.)

q is the volume of polyolefin (This refers to synthetic resins which have as their principle raw material olefin which has 3 or fewer carbon atoms for each molecule. The same is true hereafter in this article.) produced in 1 day (This shall be the greatest value actually recorded for volume of polyolefin produced per day for any month by said polymerization equipment, granulating equipment, and compression equipment; the unit shall be ton per day.)

D is maximum annual operating days (taken to be 322 days.)

(Polymerization equipment)

Article 14. The method for computing the production capacity of polymerization equipment involved in the manufacture of vinyl choloride shall be the following formula:

$$Q = q \times M$$

Q is annual production capacity (the unit shall be ton per year.)

q is the volume of vinyl choloride produced in 1 month (this shall be the greatest value actually recorded for volume of vinyl choloride produced per month for any year by said polymerization equipment; the unit shall be ton per month.)

M is maximum annual operating months (taken to be 11 months.)

(Oxidation equipment)

Article 15. The method for computing the production capacity of oxidation equipment (Including equipment which causes ethylene oxide to be absorbed in water. The same hereafter in this article.) involved in the manufacture of ethylene oxide shall be the following formula:

$$Q = q \times D$$

Q is annual production capacity (The unit shall be ton per year.)

q is the volume of ethylene oxide produced in 1 day (This shall be the greatest value actually recorded for volume of production of ethylene oxide per day for any month by said oxidation equipment; the unit shall be ton per day.)

D is maximum annual operating days (taken to be 330 days.)

(Extruders)

Article 16. The method for computing the production capacity for extruders involved in the manufacture of hard vinyl choloride tubing shall be the following formula:

$$Q = q \times D$$

Q is annual production capacity (The unit shall be ton per year.)

q is the volume of hard vinyl choloride tubing produced in 1 day (This shall be the greatest value actually recorded for volume of hard vinyl chloride tubing produced per day for any month by said extruders; the unit shall be ton per day.)

D is maximum annual operating days (taken to be 322 days.)

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ECONOMIC

BRIEFS

MITI TRADE TASK FORCE--Tokyo, 12 Feb (KYODO)--The Ministry of International Trade and Industry (MITI) will form a task force to prepare for a projected new round of multilateral trade negotiations, MITI Minister Keijiro Murata said Tuesday. The move follows an agreement at the just ended meeting of trade representatives from Japan, the U.S., Canada and the European Community (EC) held in Kyoto, Japan. The trade ministers of the four economic powers agreed at the three-day meeting on an early start of preparations for the new round, which would follow the 1973-79 Tokyo round. "I think we have cleared one stage toward promoting the new round," Murata said. "I intend to confer with representatives of the rest of the world, including developing countries, to ensure a wider scope of participants." "Without the new round (aimed at dismantling barriers to trade in services, high technology and other new areas), protectionism would emerge," he noted. [Text] [Tokyo KYODO in English 0639 GMT 12 Feb 85 OW]

JAPAN-PRC BILATERAL TRADE--Tokyo, 14 Feb (KYODO)--Boosted by China's active investment and its market-opening policy, Japan's trade with China will expand at an annual year-to-year rate of 20 percent in exports and 10 percent in imports this year, a Japanese research institute forecast Thursday. The bilateral trade totaled 13,173 million dollars last year to surpass a peak of 10,387 million dollars in 1981, the New Japan Securities Research Institute said. Japan's exports to China showed a hefty 46.9-percent jump over a year ago to some 7.2 billion dollars, supported mainly by an increase in steels and machineries. Shipments from China to Japan, in which crude oil accounted for 40 percent of the total, also registered a 17.1-percent gain to approximately 6 billion dollars. As a result, Japan became the largest trade partner of China, while China became Japan's fourth, the institute said. It pointed out that the Chinese Government requests Japan to transfer its advanced technologies along with products through trade. Joint ventures between the two countries, though Japan lags a little behind Hong Kong and the United States in the field, numbered 23 last November in a wide range of industry fields, including household electric appliances, drugs, cements, beer brewery, leasing and hotels, the institute added. [Text] [Tokyo KYODO in English 0457 GMT 14 Feb 85 OW]

**MITI TRADE TALKS PREPARATIONS**--Tokyo, 19 Feb (KYODO)--International Trade and Industry Minister Keijiro Murata said Tuesday he will set up within the ministry this Friday a panel to study and prepare for the planned start-up of a new round of multilateral trade negotiations in 1986. Speaking before the press after the day's cabinet meeting, Murata said a "new round study group," to be mainly composed of senior officials of the agencies and bureaus concerned, will compile the results of the study by this summer. Makoto Kuroda, MITI's international trade police bureau chief will act as chairman. The study will take up not only such matters as emergency import restrictions and tariffs, but also trade in high technology and services. [Text] [Tokyo KYODO in English 0339 GMT 19 Feb 85 OW]

**JAPANESE, U.S. ECONOMIES ASSESSED**--Tokyo, 19 Feb (KYODO)--Both the Japanese and U.S. economies have been expanding smoothly, aided by favorable plant and equipment investment and personal consumption, Economic Planning Agency Director-General Ippei Kaneko said in his monthly economic report to the cabinet Tuesday. Strong exports will continue to support the Japanese economy, he said, but added Japan registered its largest-ever monthly long-term capital drain of 8.4 billion dollars in December, outweighing the current account surplus of 3.5 billion dollars for the month, and helping to weaken the yen against the U.S. dollar. The reports said a lower number of job seekers and job leavers was responsible for a low unemployment rate of 2.58 percent in December. Growth in the U.S. gross national product (GNP) for the July-September period slowed to only 1.6 percent, says the report, but added the 3.9 percent increase during October-December shows it has entered a stable expansionary phase. With robust equipment investment and firm personal consumption amid low unemployment and inflation, the U.S. economy will maintain its uptrend throughout this year, the report predicted. [Text] [Tokyo KYODO in English 0125 GMT 19 Feb 85 OW]

**RESCHEDULED BRAZILIAN DEBT AGREEMENT**--Tokyo, 16 Feb (KYODO)--Japan and Brazil Friday signed an agreement to reschedule repayment of the South American country's debts. The rescheduling covers Japan's official loans falling due between August 1, 1983, and December 31, 1984, and loans that fell in arrears before that period. Such loans total 107,396.7 million yen (413.1 million dollars) provided in Japanese yen and 4.74 million dollars provided in U.S. dollars. Under the agreement, Brazil will repay the debts over eight years after a grace period of four years. Japan took the step based on an agreement reached at a meeting of Brazil's creditor nations held in November 1983. Brazil's external debts totaled 100.2 billion dollars as of the end of last year. [Text] [Tokyo KYODO in English 0003 GMT 16 Feb 85 OW]

**AUSTRALIAN ARMY CONTRACT**--Tokyo, 18 Feb (KYODO)--Komatsu, Ltd said Monday the Australian Army had ordered 52 bulldozers and motor scrapers worth 10 million Australian dollars for land clearing and quarrying. Ani Komatsu, a division of Ani Corp, placed the contract with Komatsu, the world's second largest maker of construction machinery, and will assemble, test and deliver the equipment to the Australian Army. It said it has also received "significant" orders for large bulldozers and off-road dump trucks for the coal mining industry. Komatsu public relations officials said the sale does not violate any of the so-called three principles on arms export, which all but

bar Japanese companies from selling weapons to foreign countries. They said it is construction machinery that is being sold, not weapons. The officials said that Komatsu sells similar machines to the Japanese Self-Defense Forces for snow removal in the northern parts of Japan. Last weekend, an American subsidiary of Kyocera Corp, a growing ceramic integrated circuit (IC) package maker, came under fierce attack in the Diet for allegedly manufacturing and selling parts for U.S. Tomahawk missiles in violation of the three principles. [Text] [Tokyo KYODO in English 0915 GMT 18 Feb 85 OW]

DAIHATSU CAR EXPORTS--Tokyo, 18 Feb (KYODO)--Daihatsu Motor Co said Monday it will start exporting cars with engines of 1,000-cc and below to Europe, Southeast Asia, Australia and South Africa. The cars to be shipped will be a new type of "Charade," with either a gasoline or diesel engine. The country's second-largest light vehicle maker hopes to export 60,000 units annually, aiming mainly at women in Europe and Southeast Asia as well as in Australia and South Africa, according to company officials. Daihatsu sold 40,000 of its old model of Charade last year in foreign markets other than the U.S. The officials said they wanted to make the model a major item in their projected 1985 exports of 171,000 units, up 12.8 percent from last year. They said the company does not plan to enter the U.S. market until at least 1986. [Text] [Tokyo KYODO in English 0757 GMT 18 Feb 85 OW]

PRC CHEMICAL PLANT--Tokyo, 20 Feb (KYODO)--Mitsui Engineering and Shipbuilding Co and C. Itoh and Co have jointly received an order from China to enlarge a sulfuric acid plant in dying factory in Beijing, a Mitsui spokesman said Wednesday. The Beijing plant now with a daily production capacity of 300 tons will be enlarged to the one with 500 tons by the end of next year. The Japanese partners will also install facilities to transfer heated water and steam in the sulfuric acid plant to an adjacent dying factory, the spokesman said. [Text] [Tokyo KYODO in English 0222 GMT 20 Feb 85 OW]

AID TO BANGLADESH--Tokyo, 16 Feb (KYODO)--Japan has agreed to extend 763 million yen (3 million dollars) in grant aid to Bangladesh for cooperation in the country's water supply facilities construction project, the Foreign Ministry announced Saturday. Representatives of the Japanese and Bangladesh governments exchanged notes Saturday confirming the agreement. In Bangladesh, shallow wells and rivers are the main supply sources of drinkable water. The Bangladesh Government has drawn up a drinkable water facilities construction project for local cities, and sought fund cooperation from Japan. [Text] [Tokyo KYODO in English 0452 GMT 16 Feb 85 OW]

CHEMICAL PLANT TO CHINA--Tokyo, 22 Feb, KYODO--Mitsui and Co. and Chisso Engineering Corp. have jointly received a 2 billion yen (7.7 million dollar) order to build a chemical plant in China. Mitsui officials said Friday the plant will be erected in Lanzhou, Gansu Province, to produce high-purity hydrogen and carbon monoxide, both materials for polyurethane, starting around 1989. Mitsui will supply plant equipment and technological service and Chisso Engineering will supervise construction work, the officials said. [Text] [Tokyo KYODO in English 0324 GMT 22 Feb 85]

MARUBENI, CANADA MINE ALASKAN GOLD--Tokyo, 21 Feb, KYODO--Marubeni Corp. announced Thursday that it has tied up with Silverado Mines, a Canadian mining concern, to embark on gold mining in Alaska. Aurex, an investment subsidiary set up last year by Marubeni, has been prospecting for gold at Grant, 12 kilometers northwest of Fairbanks, in a tieup with Silverado, and its affiliate, Tri-Con Mining. They have found seven promising gold veins, one of which yields at least 20 grams of gold per ton of ore, a Marubeni spokesman said. Starting possibly in October, the three firms will daily mine 230 tons of crude ore to produce 1.5 tons of refined gold annually, he said. The daily output of crude ore will be eventually increased to 500 tons. The spokesman said that recoverable crude ore at Grant have been roughly estimated at 5 million tons, equivalent to 100 tons of refined gold at the rate of 20 grams per ton. Aurex has a 40 percent stake in the project, Silverado 55 percent and Tri-Con 5 percent, he said. [Text] [Tokyo KYODO in English 1022 GMT 21 Feb 85 OW]

POWER PLANTS TO SAUDIS--Tokyo, 21 Feb, KYODO--Hitachi Zosen Corp. said Thursday that the Osaka-based firm, two other Japanese firms, and General Electric Co. (GE) of the U.S. had jointly signed a contract to supply two thermal power plants worth 87 million dollars to Saudi Arabia. The plants, with a combined output capacity of 128,000 kilowatts, will be built in Assir in southwestern Saudi Arabia, for delivery in March 1989 to Saline Water Conversion Corp. (SWCC) under a full turnkey contract with the Japanese-U.S. consortium including also Penta-Ocean Construction Co. and Nissho Iwai Corp., Japan's sixth largest trading firm. Hitachi Zosen, the world's third largest shipbuilder, will produce, procure, transport and equip boiler equipment and related facilities, while Penta-Ocean, Japan's top dredging company, will be in charge of engineering work, making use of its long experience in Saudi Arabia. GE will produce turbine generators, officials said. The award to the consortium follows a Saudi Arabian order to Hitachi Zosen in 1979 for a desalination plant in al-Jubail, northern part of the country facing the Persian Gulf. Separately, Envirogenics, a U.S. engineering firm, will supply a 130 million dollar desalination plant with a daily processing capacity of 21.2 million gallons to the same district, under a contract signed with SWCC recently. [Text] [Tokyo KYODO in English 0856 GMT 21 Feb 85 OW]

IRANIAN MINISTER ARRIVES--Tokyo, 21 Feb, KYODO--Iran's Heavy Industry Minister Behzad Nabavi will arrive in Tokyo Monday for talks with Japanese leaders, a foreign ministry official said Thursday. He said Nabavi will meet Prime Minister Yasuhiro Nakasone, Foreign Minister Shintaro Abe and International Trade and Industry Minister Keijiro Murata. Nabavi will also confer with Japanese business leaders and visit auto, steel and other industrial facilities, the foreign ministry official added. Officials at the foreign ministry and at MITI speculated that Nabavi and Japanese leaders will discuss the Iran-Japan petrochemical complex project, long stalled by the Iran-Iraq war. He will leave for home 1 March. [Text] [Tokyo KYODO in English 0842 GMT 21 Feb 85 OW]

GRANT-IN-AID TO ARAB YEMEN--Tokyo, 21 Feb, KYODO--The Japanese Government will extend 46.64 million yen in grant-in-aid to the Yemen Arab Republic to help purchase products necessary for its economic development and improvement of well-being of its people, government officials said Thursday. Representatives of its

people, government officials said Thursday. Representatives of the two countries exchange notes to the effect the same day. The aid is based on a resolution adopted at a 1978 ministerial meeting of the United Nations Conference on Trade and Development (UNCTAD), the officials said. [Text] [Tokyo KYODO in English 0850 GMT 21 Feb 85 OW]

AGREEMENT REACHED ON CUBA'S DEBTS--Tokyo, 23 Feb, KYODO--Japan and Cuba Saturday signed in Havana an agreement on rescheduling of Cuba's debt worth around 10.5 billion yen, government officials said. The agreement calls for the Latin American country to repay the debt, which reached maturity during 1984, at an annual interest rate of 8 percent after 1 July 1989, according to the officials. [Text] [Tokyo KYODO in English 0003 GMT 23 Feb 85 OW]

1985 BIOTECH R&D--Tokyo, 1 Feb (KYODO)--The Japanese Government will spend a record 33.24 billion yen (130.3 million dollars) on biotechnological research and development in fiscal 1985, up 6.1 percent from fiscal 1984, government sources said Friday. The sum was based on biotechnology-related spending of six government departments for the new fiscal year, starting 1 April, put together by the sources. It included 8.46 billion yen (33.2 million dollars) appropriated by the science and technology agency, up 10.4 percent from fiscal 1984; 4.22 billion yen (16.5 million dollars) by the Ministry of International Trade and Industry (MITI), up 17.1 percent; and 4.36 billion yen (17.1 million dollars) by Agriculture, Forestry and Fisheries Ministry, up 22.6 percent. A MITI projection shows Japan's biotechnology market will exceed 15 trillion yen (58.8 billion dollars) in the year 2000 and that the industry's annual output will reach 127.2 trillion yen (398.8 billion dollars), accounting for 10 percent of the country's Gross National Product (GNP). Biotech R&D programs in fiscal 1985 include formation of a "gene bank" designed to collect and store genes of valuable animal, plant and bacterial species, installation of facilities for gene-splicing experiments at three national universities, and enhanced joint studies by government, industry and academics. [Text] [Tokyo KYODO in English 1009 GMT 1 Feb 85]

METAL RESEARCH FOUNDATION--Tokyo, 4 Feb (KYODO)--The Ministry of International Trade and Industry will help establish a private foundation to promote research and development of new metallic materials, including ultra heat-resistant alloys, MITI officials said Monday. The foundation, to be established by this summer, will be funded by Nippon Steel Corp. and other large steel makers, Mitsubishi Metal Corp. and other big metal and ceramics makers to also develop a reliable test and evaluation system for various new metallic materials, the officials said. It will receive loans from a planned government basic technology research promotion center, scheduled to be established next October to extend financial assistance in order to upgrade basic technological studies, they said. Major Japanese steel makers are actively supporting this project as they are very eager to find new markets, they said. [Text] [Tokyo KYODO in English 0713 GMT 4 Feb 85]

PRC WINE VENTURE--Tokyo, 31 Jan (KYODO)--Kanematsu-Gosho Ltd. said Thursday it and a middle-sized wine maker have agreed with China on joint wine production in the country. A company spokesman said Kanematsu and Koshuen Co. (popularly called Lumiere) will establish an equally-owned joint venture with China in

Shandong Province at a total investment of 400 million yen (1.57 million dollars). This is Japan's first such joint venture with China. China Japan Friendship Winery Co., owned 50 percent by China, 35 percent by Koshuen and the rest by Kanematsu, will set up a factory in the province to start producing wine from this autumn. The 15-year deal envisages production of 1,000 kiloliters of wine in the initial year and 3,000 kiloliters in 3 years time with 60 percent planned to be exported, the spokesman said. [Text] [Tokyo KYODO in English 0643 GMT 31 Jan 85 OW]

AUSTRALIA ISSUES SAMURAI BONDS--Tokyo, 31 Jan (KYODO)--The Victoria Public Finance Agency (VICFIN) of Australia Thursday signed an agreement with a Japanese financial group led by Daiwa Securities Co. to float in Tokyo 10-year Samurai or yen-dominated bonds worth 30 billion yen (118 million dollars) in early February. The Victoria State-guaranteed bonds, to be issued at PAR, carries an interest rate of 6.7 percent per annum, the best rate in the Samurai bond market since December 1978. Victoria Treasurer Robert Jolly, told reporters that the government is very pleased to raise the funds for public projects such as dams and seaport facilities at the lower rate than some 13 percent in the domestic markets. Jolly added that another public organization of electric power plans to issue similar bonds. [Text] [Tokyo KYODO in English 0908 GMT 31 Jan 85 OW]

NEW TORPEDO FACTORY--Nagasaki, 1 Feb--(KYODO--Mitsubishi Heavy Industries, Ltd. held a ground-breaking ceremony Friday in Isahaya, Nagasaki Prefecture, on the site where it will build a new torpedo factory. The 110,000 square-meter industrial lot will be home for a 6,000 square-meter factory when construction is completed in September. Once assembly gets underway, possibly by November, some 70 U.S.-designed antisubmarine missiles, known as MK-46 torpedos, will be produced annually. These new torpedos, the manufacturing license for which has been held by Honeywell Corp., Mitsubishi Heavy Industries and NEC Corp. since 1982, will also occupy an important place in the arsenal of Japan's defense agency in the next term. The MK-46 has been designed for use by antisubmarine patrol planes and ships as a short-range antisubmarine missile. MK-46 parts, some of which are imported from the United States, have been assembled since last year at Mitsubishi's Saiwaimachi plant in Nagasaki. However, with construction of the new factory, complete Japanese manufacture will become possible. At present, the Nagasaki plant produces an annual 15 billion yen (59 million dollars) worth of weapons for sole use by the defense agency. [Text] [Tokyo KYODO in English 1001 GMT [no day] Feb 85]

VOLUNTARY AUTO EXPORT RESTRAINT--Tokyo, 4 Feb (KYODO)--The chairman of the Federation of Economic Organizations (Keidanren) said Monday he supports continued voluntary restraints on Japanese auto exports to the United States, due to expire at the end of March. Speaking at a joint meeting of the heads of key economic organizations and top officials of the ruling Liberal-Democratic Party (LDP), Yoshihiro Inayama said the restraints are necessary to forestall possible U.S. import curbs should the countries' trade imbalance get worse. Japan is holding its annual auto exports to the United States to 1.85 million units. The officials also discussed such burning issues as Keidanren's planned introduction of a new telecommunications satellite, the nation's rising defense expenditures, the advisability of a tax increase and more national holidays. [Text] [Tokyo KYODO in English 0546 GMT 4 Feb 85]

JAPANESE, BRITISH ECONOMIC FORUM—Tokyo, 4 Feb (KYODO)--A two-day Japan-British forum opened at the seaside resort of Oiso, 70 kilometers southwest of Tokyo, Monday, to discuss Japanese-British relations and economies, politics, and security from a global point of view. The forum, called "The Japan-Britain 2000 Group," was established under an agreement between Prime Ministers Yasuhiro Nakasone and Margaret Thatcher made in London last June, to deepen mutual understanding and widen bilateral relations. Tadao Kato, former ambassador to Britain, heads the 14-member Japanese delegation, while the 15-man British team is led by James Prior, chairman of General Electric Co. of Britain. Delegates include business leaders, scholars and national assemblymen. At the opening, Kato read a message from Foreign Minister Shintaro Abe, which said that Japan and Britain should step up their common effort for world peace and security in the face of a difficult international situation. The results of the forum will be reported to Prime Minister Nakasone Wednesday. [Text] [Tokyo KYODO in English 0133 GMT 4 Feb 85]

IRELAND POSTPONES BONDS--Tokyo, 21 Feb, KYODO--The Irish government has put off its scheduled issue in February of its yen denominated bonds, better known as samurai bonds, worth 15 billion yen because of a sharp fall in bond prices, securities sources said Thursday. As a result, the number of issuers this month was only two, the Victoria Public Finance Agency (VICFIN) of Australia and the Inter-American Development Bank (IDB), with the bonds totaling 65 billion yen (250 million dollars), dramatically lower than 165 billion yen (635 million dollars) initially scheduled, the sources said. They attributed the decline to the softening bond market because of the yen's sharp depreciation—for example, the yield of the Bellwether 59th national bonds with a 7.3 percent coupon rate jumped to 7.06 percent per annum briefly from 6.46 percent in early February. Also in February, New Zealand Steel Development Co., South Korean Electric Power Co. and Banque Francaise du Commerce Exterieur postponed their issues, they said. They added that five institutions—the World Bank, the Asian Development Bank, the South Korean Industry Bank, the Malaysian Government and Air Canada—are planning to issue samurai bonds next month. [Text] [Tokyo KYODO in English 1111 GMT 21 Feb 85 OW]

GRANT AID TO HONDURAS--Tokyo, 21 Feb, KYODO--Japan will provide the Republic of Honduras with grant aid of 450 million yen (1.73 million dollars) to help the country combat malaria and dengue fever, the government said Thursday. The notes to this effect were exchanged the same day. [Text] [Tokyo KYODO in English 0036 GMT 21 Feb 85 OW]

GRANT AID TO PARAGUAY--Tokyo, 21 Feb, KYODO--The Japanese Government Wednesday decided to extend 300 million yen (1.1 million dollars) in grant to Paraguay to help an agricultural development project in the southern area of the country, government officials said. Representatives of the two governments exchanged notes to the effect the same day. The Paraguayan Government will use the funds to purchase agricultural machines and chemicals and fertilizers, the officials said. [Text] [Tokyo KYODO in English 0002 GMT 21 Feb 85 OW]